

DEPARTMENT OF INTERIOR

**TRANSCRIPT OF PROCEEDINGS**

In the Matter of: NATIONAL PETROLEUM COUNCIL

Date: January 13, 1949

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EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

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NATIONAL PETROLEUM COUNCIL

Thursday, January 13, 1949

The National Petroleum Council met at 10:15 o'clock a.m., in the Secretary's Conference Room, South Interior Building, Washington, D. C., Mr. Walter S. Hallanan, Chairman of the Council, presiding.

CHAIRMAN HALLANAN: Gentlemen, the council will please be in order. The Secretary will call the roll. There are several new members of the Council, and as their names are called, I would like them to rise so that they may be introduced before the Council for the first time. The Secretary will call the roll.

(Mr. James V. Brown, Secretary and Treasurer of the Council, called the roll and the following responded:)

H. T. Ashton

Hines H. Baker

Max W. Ball

CHAIRMAN HALLANAN: He is the first new member, a distinguished member. (Applause)

MR. JACOBSEN: Could we be told something about his background, please?

CHAIRMAN HALLANAN: That will probably unfold itself.

(Mr. Brown continued to call the roll, and the following responded:)

T. H. Barton



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Jacob Blaustein

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Howard A. Cowden

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E. DeGolyer

J. C. Donnell, II

Fayette B. Dow

J. Frank Drake

John Dressler

James P. Dunnigan

R. G. Follis

B. C. Graves

J. Parks Gwaltney

Walter S. Hallanan

B. A. Hardey

George A. Hill, Jr.

Harry B. Milts

CHAIRMAN HALLANAN: This new member of the Council is Executive Secretary of the Atlantic Coast Oil Conference, Inc., of New York City. We are glad to have you with us.  
(Applause)

(Mr. Brown continued to call the roll, and the following responded:)

Eugene Holman (by proxy Suman)

D. A. Mulcy

A. Jacobsen

B. Brewster Jennings

W. Alton Jones

W. G. Maguire

B. L. Majewski

J. Howard Marshall

N. C. McGowen

Arthur W. McKinney

Brown L. Meece

J. S. Morris

*not present when roll called - arrived later*

S. B. Mosher

Glenn F. Nielson

S. F. Niness

Joseph I. Nolan

Rankin P. Peck

Joseph P. Pogue

Frank M. Porter

E. E. Pyles

D. T. Ring

M. H. Robineau

W. S. S. Rodgers

A. H. Rowan

W. F. Sehmman

CHAIRMAN HALLANAN: Mr. Sehmman, will you rise?

We are glad to have you. Mr. Sehmman is the new President of the National Stripper Well Association. We are glad to have you, Mr. Sehmman. (Applause)

(Mr. Brown continued to call the roll, and the following responded:)

Fred W. Shields

CHAIRMAN HALLANAN: Mr. Shields, we are glad to have you. Mr. Shields is the new President of the Independent Petroleum Association of America, an independent producer from San Antonio, and we welcome you to the Council. (Applause)

(Mr. Brown continued to call the roll, and the following responded:)

Harry F. Sinclair

Reese H. Taylor

H. L. Thatcher

W. W. Vandever

Guy I. Warren

CHAIRMAN HALLANAN: Mr. Warren, we are glad to welcome you to the Council. This is Mr. Guy I. Warren, who is President of the Texas Independent Producers and Royalty Owners Association. We are glad to have you. (Applause)

(Mr. Brown continued to call the roll, and the following responded:)

L. S. Wescoat

Joseph F. White, Sr.

C. R. Williams

Robert E. Wilson

W. S. Zehrung

CHAIRMAN HALLANAN: Mr. Zehrung, we are glad to welcome you. This is Mr. W. S. Zehrung, who is President of the Pennzoil Company of Oil City, Pennsylvania, and President of the National Petroleum Association. We are glad to have you. (Applause)

(Mr. Brown continued to call the roll, and the following responded:)

Ralph T. Zook

SECRETARY BROWN: A quorum is present, Mr. Chairman.

CHAIRMAN HALLANAN: Gentlemen, a quorum is present, and we are ready to proceed to the transaction of business. The first order will be the report of the Secretary-Treasurer as to the financial condition of the Council.

SECRETARY BROWN: During the year 1948 we have received contributions that are allocated to our year's budget. As you recall, the request was to make<sup>up</sup> the budget of the former years. That amount was \$11,430. The 1948 budget collections were \$62,969. Other receipts were \$577, for total collections during this fiscal year of \$74,977.07.

We spent as follows: The gross payroll, \$23,497, which was just under our budget amount. The net payroll after deduction of taxes was \$20,793. Those taxes were \$3,031. Meetings, travel, and so forth, \$7,212. Postage, \$1,450. We stayed under the mark on postage. Telephone and telegraph, \$3,924. We did a lot of talking, more than we expected to. The rent was \$7,500. Subscriptions, \$1,460. Printing and supplies, we went over our expectations with a total of \$9,654.82. Miscellaneous items, \$2,668. Furniture and fixtures, \$2,216. Or a total of all expenditures of \$59,911.96.

That left us \$15,065 from our collections over and above the expenditures.

We had a balance carried over from the previous year of \$15,208. We wind up the year with a balance in the bank of \$30,273.94.

I might add here that the contributions were received from 84 of our 90 members. The pro-rata share in 1948 equalled \$665.69. Sixty-nine members out of the 90, or 77 per cent, contributed sums equal to their pro-rata share, or greater.

CHAIRMAN HALLANAN: You have heard the report, gentlemen. Any comment?

MR. MAJEWSKI: I move that the report be received and placed on file.

CHAIRMAN HALLANAN: Mr. Majewski moves that the report be received and placed on file.

(The motion was put to a vote and carried.)

CHAIRMAN HALLANAN: Gentlemen, you have received copies of the minutes of the last meeting of October 21, 1948. Those minutes were mailed to the members of the Council on November 20. What is your pleasure? Any corrections or any comments? If not, a motion to approve will be in order.

MR. MAJEWSKI: I move that the minutes be approved.

CHAIRMAN HALLANAN: Mr. Majewski moves the minutes of the meeting of October 21 be approved.

(The motion was regularly seconded and was put to a vote and carried.)

CHAIRMAN HALLANAN: At this time, gentlemen, I desire to present to the Council the Acting Director of the Oil and Gas Division, Mr. Robert E. Friedman. (Applause)

MR. ROBERT E. FRIEDMAN (Acting Director, Oil and Gas Division): Thank you very much, Walter. I hope I don't need an introduction to most of you, and I merely want to emphasize the one word that Walter used, "acting." I am acting in a pair of shoes that are far too big for me. One of the finest experiences of my life has been working with Max Ball, and I realize from him what it takes in the way of wisdom, experience, patience, and many other virtues of which I don't have enough to be director of the Oil and Gas

Division. All I can say is that I will do my best until you get the man to fill Max's shoes, which I hope will be very soon.

CHAIRMAN HALLANAN: Thank you, Bob. (Applause)

Gentlemen, the next order of business is the election of officers and standing committees. The Agenda Committee and the Appointment Committee.

Previously the order of business has been for a motion to be made for the Chair to appoint a nominating committee. What is your pleasure at this time?

MR. DeGOLYER: I so move.

(The motion was regularly seconded.)

CHAIRMAN HALLANAN: How many do you suggest, Mr. DeGolyer?

MR. DeGOLYER: Four or five.

CHAIRMAN HALLANAN: You have heard the motion.

(The motion was put to a vote and carried.)

CHAIRMAN HALLANAN: The Chair will appoint Mr. DeGolyer, Colonel Drake, Mr. Taylor, Mr. Jennings, Mr. Thatcher, Major Hardey, and Mr. Donnell as the Nominating Committee to submit a report on the election of officers.

MR. DeGOLYER: Shall we retire from the room?

CHAIRMAN HALLANAN: Yes. You have a job to do.

MR. DeGOLYER: Let's meet out in the hall.

(The committee left the room.)



CHAIRMAN HALLANAN: Pending the report of the Nominating Committee, if there is no objection, we will proceed to the consideration of other reports, and I would ask Mr. Hill if he will now present the report of the Agenda Committee.

(Mr. Hill read the report of the Agenda Committee)

MR. HILL: I have a resolution, Mr. Chairman, which, if this report is adopted, I would also like to present in connection with the report to carry out the last matter referred to.

CHAIRMAN HALLANAN: I would suggest that you present that now.

MR. HILL: This is the resolution in relation to the payroll savings plan;

"WHEREAS, The widespread distribution of the ownership of the National Debt is a mutual problem of Government and American business; and

WHEREAS, The proper management of this debt is of vital importance to the economic welfare of our country, the future of American industry and our free enterprise system; and

WHEREAS, The United States Treasury Department is promoting the widespread ownership of our national debt through the sale of United States Savings Bonds; and

WHEREAS, The proceeds from these sales will be used

to retire maturing bank-held obligations so that Bond sales to individuals do not increase the debt but will spread it more widely; and

WHEREAS, It is believed by the Treasury Department that the best way to reach the greatest number of individual bond buyers most effectively is through the Payroll Savings Plan throughout all of American industry; therefore

BE IT RESOLVED that this Council hereby recommends that every company in the petroleum industry in America cooperate with the United States Treasury Department in the important Savings Bond program.

BE IT FURTHER RESOLVED that the Chairman of the National Petroleum Council be and he is hereby authorized to take such steps as he may deem appropriate to bring to the attention of the members of this Council and to the petroleum industry, the efforts of the Treasury Department to promote and extend the Payroll Savings Plan, and to invite the voluntary support of the entire industry in making such plans available to company employees, and encourage continued interest on the part of their employees in acquiring United States Savings Bonds."

I move the adoption of the report, Mr. Chairman, and of the resolution which I have just read.

CHAIRMAN HALLANAN: You have heard the report of

the Agenda Committee as submitted by Chairman Hill, and also the proposed resolution in connection with the report.

(The motion was regularly seconded.)

CHAIRMAN HALLANAN: It has been moved and seconded that the report be adopted. All in favor indicate by saying "aye", contrary "no." The report is unanimously adopted.

Dr. Wilson, may we pass on to you now to submit the report of the Petroleum Refining Capacity Committee?

DR. WILSON: The report is being circulated. I will read it.

(Dr. Wilson read the report of the Committee on Petroleum Refining Capacity, with the following interpolations:)

No. 1: Substantially higher than we had anticipated and that previous reports had indicated.

No. 2: The figures are plotted here. The Bureau of Mines up until the end of 1947, and the new council survey since that time. That jump is not entirely due to building, though it is very largely due to building or bottleneck diminution, but we have put in for the first time part of the cracking capacity of the country which is today being used for crude charging, provided it is expected to be so used during the year 1949. I will cover the exact wording of that phrase a little later on.

I think it is particularly interesting to note that in these years of stress the refinery runs have increased

more rapidly than at any other time in the history of the country, and the refining capacity during those two years has increased more rapidly than ever before in the history of the country. Of course it should in view of the tremendous amounts of money that were spent. Nevertheless, in view of the shortage of steel and manpower and other things, it represents a remarkable accomplishment to my mind that it was possible to do it.

You will notice the comparative line on runs to stills. The chart that is in your report does not contain that, and we are going to delay the release of the report until that can be added. You will be sent another copy of this report which will show the actual runs to stills which is not on the present one, and the report will not be released until Monday on that account. So please keep that in mind in discussing the report.

You will notice that the gap has steadily narrowed since 1932. The gap between capacity and runs has steadily narrowed. In actual magnitude it is larger than back here (indicating) but in percentage this is the smallest percentage of surplus refining capacity that the country has ever had, about 10 per cent, as you know.

These charts spread out by quarters the figures for 1948 and 1949.

I may say that in plotting there is a slight error

that should be kept in mind in that the capacity represents the average capacity--Excuse me, the runs represent the average runs for the year, and the capacity is the capacity at the year-end. Therefore you really ought to compare this with a point mid-way between the first of the year and the last of the year to get a strictly accurate comparison.

No. 3: Of course everyone in the industry knows that crude running capacity is a flexible thing, depending on the types of crude and the product to be made. This simply tells them to make the estimate on what type of crude you expect to run and what products you expect to make. That still leaves a certain degree of uncertainty, but that is certainly the most accurate figure we can get.

No. 4: That doesn't mean they put in all the ing capacity that isn't being used, but they put in that p that they think they are likely to use next year, and that is one of the reasons, as I say, for the substantial increase in crude running capacity.

No. 5: I want to emphasize that difference which often isn't appreciated. Most concerns feel that they get the lowest average cost when they operate at 100 per cent of capacity, but when you have material of widely varying ages and efficiencies, that is not true. I am confident that to go above 90 per cent in our industry, realizing the type of units that we have brought into operation, we would increase

rather than decrease average costs.

(Dr. Wilson continued reading to the end of the report.)

DR. WILSON: The tabulations by districts follow.

I thank you, Mr. Chairman.

CHAIRMAN HALLANAN: Thank you very much, Doctor.  
The report is open for discussion gentlemen.

MR. JACOBSEN: I move its adoption.

MR. MAJEWSKI: I would like to make a substitute motion that we receive and place on file the report because it involves a statistical survey prepared for the joint benefit of the government and industry, which should be received by the Council and placed on file, and not adopted or approved. I would like to have the record show that for the benefit of myself and other people who might some day have to explain the adoption of the petroleum refining capacity report. I am referring specifically to the Department of Justice.

CHAIRMAN HALLANAN: Dr. Wilson, this is the final report of the committee?

DR. WILSON: That is correct.

CHAIRMAN HALLANAN: You submit it for the Council's adoption?

DR. WILSON: It seems to me that we really ought to distinguish between factual reports that we accept and policy questions which we adopt, and therefore I think Mr. Majewski's

motion is quite proper.

MR. JACOBSEN: I withdraw my motion.

CHAIRMAN HALLANAN: You accept Mr. Majewski's substitute?

MR. MAJEWSKI: I accept Mr. Jacobsen's new motion.

(The second motion was put to a vote and carried.)

CHAIRMAN HALLANAN: The report is received, Doctor.

Mr. Vandever, can you make any progress report on the manpower committee, of which you are the chairman? You have no written report?

MR. VANDEVEER: That is right.

CHAIRMAN HALLANAN: Mr. Vandever, of the Committee on Manpower.

MR. VANDEVEER: Mr. Chairman, we have no written report. The working committee of the Manpower Committee met here in Washington day before yesterday, the 11th. At the committee meeting were the several branches of the Government, the different ~~bureaus~~ <sup>petroleum</sup> who are interested in manpower. After arriving at ~~some~~ <sup>definite</sup> conclusions as to ~~what~~ <sup>just</sup> the manpower committee was supposed to ~~do~~ <sup>accomplish</sup> we proceeded to ~~draw up~~ an outline of the different classifications of personnel in the entire petroleum industry and ~~then~~ <sup>a</sup> break ~~that~~ <sup>down</sup> into subdivisions. ~~was adopted~~ <sup>Dr. Sam Hill, representative of the National Security Resources Board, explained to the committee the interest of his agency and the resources Gas Division, and they were represented all during the committee meeting. I think that we can go a little beyond the in the petroleum industry.</sup>

information that is asked by the NSRB in securing information which will be valuable to all branches of the industry. At the present time there are a great many reservists in the industry, and if these men were pulled out, unquestionably the industry would <sup>suffer</sup> receive a severe loss and probably <sup>could not</sup> replace them quickly, if at all. ~~This problem is one that should have been given first attention.~~ <sup>This problem is one that should have been given first attention.</sup> ~~would be difficult in replacement.~~

To summarize, ~~we have broken this down.~~ <sup>a working committee was in attendance and</sup> ~~It is now this group has been divided into smaller working committees which will~~ <sup>continue to make</sup> ~~in the process of subcommittees making studies of the (seg- various)~~ <sup>various</sup> ~~ments of the industry.~~ We had only a small working committee, Mr. Chairman, to get this thing started. The next meeting will be the entire committee. ~~I think~~ I can say that there was some discussion as to who should make the survey for the industry. The Labor Statistical Department was with us, and in some branches of the industry they have very good information; in others there is practically no information. ~~There was quite a bit of discussion about who was going to make the survey.~~ As it rests now, the survey will be made by men of the industry, men <sup>from</sup> ~~in~~ all parts of the country, and the survey will only be as good as you gentlemen right here in the <sup>Petroleum Council</sup> ~~petroleum industry~~ instruct your organizations to ~~cooperate with the men on the~~ <sup>give to the different men in the</sup> ~~subcommittees who will ask~~ <sup>information on your manpower.</sup> ~~for the over-all of the employees of your companies and a~~ ~~breakdown.~~ I hope that if we get that information, some day it will be worthwhile to the industry in the preserving of key men. The bureaus have told us that they were going to



accept by and large the recommendations of the industry <sup>as to</sup> ~~of~~  
~~those persons who~~  
~~all men who the industry felt~~ should be exempt <sup>ed</sup> from military  
 service ~~in the event of an emergency.~~

I thank you, Mr. Chairman.

CHAIRMAN HALLANAN: Thank you very much, Mr. Vandever. Would any member of the Council like to ask Mr. Vandever any question in connection with the study the committee is engaged in making on the manpower situation? We regard it as a very important assignment which you have undertaken, Mr. Vandever, and we are very much encouraged by the way you have approached it.

Gentlemen, last July the Secretary of the Interior addressed a request to the Council that a committee of the Council be named to study and to reactivate the report of the National Oil Policy Committee of the petroleum industry War Council which was adopted in October 1945. The Agenda Committee approved that request, and the committee of 24 was named as a subcommittee of the Council to prepare and submit to you what I regard as a historic document. I think it represents a real milestone in our American way of doing things now.

This committee, as you are quite aware, has been engaged in extensive study of this document, and it has had numerous sessions. I know there has been a great deal of effort, work, and study applied to the formulation of this instrument which has now come before us for consideration.

The committee has brought forth a unanimous report on a national oil policy pronouncement. You have had the benefit of seeing this report, and I now would like to call upon Mr. Jacobsen, who has given fine leadership to this group, to present for your consideration this document, which I believe represents the most important report which this Council has had to consider since its organization. Mr. Jacobsen.

MR. JACOBSEN: Mr. Chairman and Gentlemen: You have had this report before you for a couple of weeks. It was sent out by mail. A very slightly revised copy is in your hands now. I shall refer to those very slight revisions in a moment.

I would like to say first of all that the item of the national oil policy has been one of our favorite indoor sports in this country for some time. Nearly everybody has been doing it, and there has been a great deal of general impression that we didn't have an oil policy, as if an oil policy were something entirely new. As a matter of actual fact, we have an oil policy, and we have had it for years. It has never been brought down to - I should not say it never has been brought down because it has been done a number of times by different people. What I would say is that we have never had a policy officially adopted by the American government as a policy, but the policy which has evolved during the whole life of the American oil industry since the first oil

well, that policy has been in effect. It has, as I just said, evolved, and it has evolved under the stress of changing conditions in a highly competitive atmosphere. We have had periods of overproduction and not enough production, and we have had war and we have had peace, and if you can judge the efficacy of any policy by the result obtained, then this American oil policy that we have had has been a pretty darned good policy because it has enabled us to develop by far the finest oil industry in the world, and it has enabled us to provide oil products not only to the people of this country, but other countries as well in abundance and at prices lower than would otherwise have been possible.

I think you will agree, gentlemen, that the proposal of policy or draft of policy that you have before you does not in any important way differ from the policy that has been developed and that has been evolved during all the years of the life of the American petroleum industry. As our Chairman has told us, the committee that you appointed for this purpose has worked very hard and dilligently on the subject. We have had a great many meetings, not merely of the main committee but of the drafting committee as well, and I want to pay tribute to the work done by that drafting committee headed by Dr. Pogue.

One thing has been rather interesting in the work we have done on this thing, and that is that practically all

of the discussions and arguments we have had have been rather about how to express the thoughts we had in mind. We have really had very little difference of opinion in regard to basic principles, notwithstanding the fact that the main committee as well as the drafting committee were composed of men of all branches and lines of the industry, big and little. There has been a remarkable unanimity in respect of the trends we wanted to achieve. There has been lots of argument as to just exactly how to put it, and we have argued for hours as to whether we should say "but" instead of "however", and things of that sort. Generally there has been a remarkable degree of unanimity in respect of the basic principles that should underlie the report. The explanation of course is easy, and I think it is the one I referred to a moment ago, namely, that those principles have proven themselves during the whole life of the American oil industry to be highly beneficial not only for the industry but for the country as well.

Coming down to the policy itself, is it your pleasure that I read the whole darned thing, or can we take it as having been read by you gentlemen?

MR. BARTON: I think the more effective way is for you to read it.

DR. WILSON: Everybody has had a chance to read it.

MR. JONES: Yes, I suggest everybody in this room who is interested has read it. I think if the Chairman of the

committee would point out the few changes that have been made, there are only three or four since the draft was drafted and distributed, it would serve any useful purpose. I so move.

DR. WILSON: Second the motion.

CHAIRMAN HALLANAN: You have heard the motion of Mr. Jones as the Chairman of the National Oil Policy Committee that he indicate the changes made from the report mailed to the members of the Council. Any remarks?

(The motion was put to a vote and carried.)

MR. JACOBSEN: Thank you, Pete.

Gentlemen, if you will turn to page 11 of the copy that you have, in the third line it reads: "Research by governmental agencies should be limited to fundamental studies and to surveys of raw material reserves."

"To" has been added to that sentence. Formerly it read "research by governmental agencies should be limited to fundamental study and surveys of raw material reserves." That could be read to mean that the governmental agencies should limit their efforts to fundamental studies of raw material reserves. To make that clear, we put in a second "to."

Then, if you will turn to page 13, about the middle of the page there is a paragraph beginning: "All segments of the oil industry continually require a capital," et cetera. The draft that was mailed to you gentlemen two or three weeks ago began: "The oil industry continually requires capital to

replace," and so on.

Mr. Thatcher pointed out to me that he thought it might be advisable to emphasize what was in our mind anyway, of course, that our remarks referred to all segments of the oil industry. That was our intention anyway, but the committee felt that there certainly could be no objection whatever to making abundantly clear what we had in mind in any case. So we added "All segments of the oil industry continually require," and in the paragraph immediately following you will again find the two words "all segments" added.

Then on the same page at the bottom, paragraph 10, the second sentence. It used to read: "It should continue to support and encourage a system of distribution under which thousands of independent marketers and others bring the industry products to the consumer."

Mr. Thatcher called my attention to the fact that while that was a true statement, it was not as complete and truly descriptive as it would be if we put in what we now have there, namely, "thousands of independent marketers, integrated companies and others compete to bring the industry's products to the consumer."

Again you will notice that the change is one of clarification or better wording, and in no manner a change of any kind of principles involved.

Then if you will go over to page 16, which is the

last one, the end of the first paragraph. The text which you have before you here is exactly the one that was adopted unanimously at the meeting we had in Chicago of the National Oil Policy Committee. In the transcription of it some little confusion arose, but the text that we have now differs in any case only very slightly from the one that was given to you in the document that was sent to you before.

To complete my information on the subject, I shall read what it said before, and if you will follow the text you have before you you can see how small the change is.

"In carrying out their <sup>proper function</sup> ~~production~~ of regulating the transportation of natural gas in <sup>inter</sup> ~~their~~ state commerce, federal regulatory bodies should <sup>apply a formula which will</sup> allow an interstate carrier of natural gas to charge for the gas delivered through its facilities a price which includes the price paid for the gas <sup>it</sup> ~~it~~ purchased <sup>and</sup> ~~or~~ the market value of the gas <sup>it</sup> ~~in the field where~~ produced."

Obviously "or" there was wrong. It would only make sense if you put in "and". Furthermore, I want to repeat again that the text you now have before you was really the one that was approved unanimously at the meeting in Chicago.

Those very few and unimportant changes are the only ones that have taken place in this document as compared to the one that was sent to you two or three weeks ago. This is the report of the committee and with your permission, Mr. Chair-

man, I would like to move its adoption.

(The motion was duly seconded)

CHAIRMAN HALLANAN: You have heard the motion duly seconded that the report of the National Oil Policy Committee be adopted. Is there any discussion?

(There were calls for the question)

MR. NOLAN: I would like to make one comment on tidelands oil. I don't believe there is unanimity of agreement about it, but there is one thing in the report where I don't believe I can conscientiously vote entirely for the adoption of the report and that is the provision that states that the tidelands and the ownership of the oil at the edge of the continental shelf shall be vested in the states. I think there is a pretty general feeling among the farm organization groups and cooperative groups <sup>with which I agree, that</sup> that at least a portion of the continental shelf ~~that extends beyond the area that~~ <sup>the actual</sup> ~~is known as the~~ tidelands should ~~perhaps~~ <sup>perhaps</sup> well be left in the hands of the Federal Government, ~~that being a new accretion of land taken on by the Federal Government.~~ I would like to make it clear. I don't disagree with <sup>The statement of the national</sup> ~~you~~ on policy except for that particular feature of it.

MR. MAJEWSKI: To clarify the atmosphere, I didn't think we were here representing individual interests. Joe happens to be with the cooperatives, and I happen to be with a private interest oil company. I am not here today voting the



views of the Deep Rock Oil Corporation, and I didn't think anybody was here voting individual views. We were voting the views of an industry. As representatives of many segments of the industry we were supposed to vote on the basis of what was the best for the industry so that the industry in turn could better serve the public. I think you have to rule at this point whether we are voting for individual interests. We weren't appointed to the Council on that basis. If you are, there are many of us who might share Joe's views privately, that the tidelands belong to the Federal Government, but I didn't think we were here on that basis, and I ask you to rule on whether we are voting as individuals representing an industry or as people representing individual interests.

MR. NOLAN: Maybe I didn't make myself clear. I say that is my view. I don't see how you can vote on a matter without voting your views, your opinions. I believe the document represents the opinions of the men who drew it up. It is their opinion of what is the best policy for the oil industry. I have to say in all respect that my opinion differs from theirs.

CHAIRMAN HALLANAN: The question is upon the motion for the adoption of the report. Are there any further remarks? All in favor of the adoption of the report indicate by saying "aye". Contrary "no". The report is unanimously adopted.

Mr. Jacobsen, I extend to you the thanks of the Council for your report.

DR. WILSON: I particularly commend the Chairman and Mr. Pogue for the wonderful job they have done in bringing together diverse interests. I think a demonstration of this kind is very heartening to everyone in the industry.

CHAIRMAN HALLANAN: Will you express that in a motion? I think that is the sense of the Council.

DR. WILSON: I make that as a motion.

MR. MAJEWSKI: I would like to second it.

CHAIRMAN HALLANAN: You have heard the motion expressing the gratitude of the Council for the untiring works and successful accomplishments of the Chairman of the Committee and the Chairman of the Drafting Committee.

(The motion was put to a vote and unanimously adopted.)

MR. JACOBSEN: Thank you, gentlemen. Now after all the work we have done, you will discharge the committee? It was a temporary committee and I move it be discharged.

(The motion was duly seconded.)

CHAIRMAN HALLANAN: Would you care to comment at this time, Mr. Friedman?

MR. FRIEDMAN: I should like to add the thanks of the Department of the Interior to Mr. Jacobsen and his com-

mittee for a very fine piece of work. You will all recall that when the Secretary made the request for this report, he said that in order for the national oil policy that the Government will eventually adopt to be informed and in the public interest it was essential that the wisdom and experience of the petroleum industry be brought to bear on the subject. I regard this document that we now have as that concentrated wisdom and experience, and we are very happy to have it. It will be very useful to the other agencies as well as to us, Mr. Jacobsen and your committee, but to other agencies of the Government as well.

MR. JACOBSEN: Thank you very much. I would like to say just two words on that score, and that is that we appreciate very much the scope of the request of Secretary Krug. He did not limit us in any way in respect of the work we were to do. He said to the industry, "Will you please tell us what you think should be our national oil policy." We have complete freedom of action, and we have used it. At no time during our discussions have we been guided by any motives of politics at all. There never has been any question of whether we had better say that because the Democrats have been elected, or anything of that kind. We have perfectly frankly stated what in our opinion, in our honest opinion, would be the best thing for the oil industry and the country.

DR. WILSON: What about printing this? Shouldn't

there be a motion made with regard to that?

CHAIRMAN HALLANAN: That would be proper. Mr. Jacobsen, what about the printing of it. Do you want to move that at this time, Mr. Jacobsen?

MR. JACOBSEN: I think that is really not a job for this committee. I think that is for the Council generally to decide.

CHAIRMAN HALLANAN: You think the Council ought to adopt a resolution on that?

MR. JACOBSEN: You want my opinion on it?

CHAIRMAN HALLANAN: Yes, or a motion.

MR. JACOBSEN: I certainly think it should be given wide publicity. I do think it is a document of some importance. How far you want to go down the line in distributing it, I don't know. I am not very publicity-minded myself. Figures have been mentioned of 10,000 copies, 15,000 copies, 25,000 copies. And opinions have been expressed that 25,000 would not be enough. I do think that it should be distributed as widely as we think will do any good. The extra cost of a few thousand additional copies won't make an awful lot of difference to the Council, and I would like to suggest or perhaps put in the form of a motion that the Chairman be requested to decide that point and that we might suggest to the Chairman perhaps that he discuss the thing with the Department of the Interior, Mr. Friedman, getting his views,

and also with the Publicity Committee of the API, and anybody else whom the Chairman might wish to consult. I would be perfectly willing to abide by the Chairman's decision and would like to make the motion in that fashion.

(The motion was duly seconded)

MR. MEECE: Provision should be made, too, for any company or individual to get reprints to distribute themselves because I believe all of us will want to do so.

CHAIRMAN HALLANAN: Primarily, though, I think the basic distribution should be handled through the Council. For Anything supplementary to that, additional copies could be had.

DR. WILSON: My specific suggestion would be - I know how Brown feels about it. I know we all would want to distribute some and I think copies should be available. But I think when it has been determined what the basic distribution by the Council will be, we should be informed. For example, I assume it will go to all members of Congress. I think it should be to the governors of all states. It should go to the legislatures and to many libraries. I think the proposed distribution list by the Council should be given so that we won't be wasting our own circulation by doubling up. I think basically for the most part we should have one central distribution to a well selected and very comprehensive list. <sup>including</sup> Don't forget the small town libraries. It is amazing what

kind of books--I believe a survey was made not many years ago which shows that there were some 10,000 small libraries in the United States whose only book on oil was Ida Tarbell's, so you can see if somebody wants to read up on oil what impression they get by reading a book that old and written on that basis.

This is a type of thing that deserves very wide circulation. It is a document of permanent value and should be particularly in universities and libraries all over the country.

CHAIRMAN HALLANAN: I think, Doctor, you would also want to include the newspaper editors and newspaper libraries all the way down the line.

MR. JACOBSEN: I would like to mention that it is the intention to get the thing up nicely, not just a mimeographed copy. It will be gotten up in the form the same as the earlier copies so that it will be a document that people won't throw in a wastepaper basket when they receive it.

CHAIRMAN HALLANAN: You have heard the motion duly seconded. All in favor indicate by saying "aye," contrary "no." The motion is unanimously adopted.

Mr. Page, could you present to us at this time the report of Colonel Drake's committee?

MR. PAGE: Mr. Chairman--

MR. JACOBSEN: Pardon me, was your committee discharged?

CHAIRMAN HALLANAN: Your committee is discharged

with overwhelming gratitude and thanks.

MR. JACOBSEN: I wanted to be quite clear on that.

MR. PAGE: Mr. Chairman, a report has been made to the members of the committee on the present status of the military requirements. While it is being passed out, I will read it.

(Mr. Page read the Report of Military and Government Petroleum Requirements Committee of the National Petroleum Council, with the following interpolations:)

No. 1: That is the second half of the military's fiscal year.

No. 2: That is, April to June.

No. 3: I might mention on these differences between commitments and offers, sometimes the military people wish to negotiate on contract questions and price and other things. The offers are firm, but it sometimes takes even several months before they make them an actual firm commitment on their part, although there is a firm commitment from the industry.

(Mr. Page read to the end of the report.)

MR. PAGE: The requirements during this period, I think it is interesting to note, are about 6 million barrels less than the actual purchases during the July to December period. I think that alone tells us that there won't be any problem in meeting the requirements as they are now stated. Those differences occur principally in aviation gasoline where

the requirement figure now is 5,200,000 barrels less than the actual purchases of the last six-month period. On motor gasoline the present requirements are about a million and a half barrels less than the actual purchases over the past six-month period. The other products are practically the same. Kerosine is less, but that is a very small amount.

Mr. Chairman, in Colonel Drake's absence - he was going to give this report this morning - I don't know whether you want me to make the recommendation that he was going to make.

CHAIRMAN HALLANAN: I think that would be a good idea, if it was agreeable with him.

MR. PAGE: It was Colonel Drake's opinion, which I share, that in view of the present situation as to the coverage of military requirements and the requirements and the general situation as to the over-all petroleum supply, that the committee which was formed to deal with problems that arose should be disbanded at this time. That also has been discussed with the military people. It is the feeling that if any problem does arise in the future, that problem is likely to be a special one on which a committee could be appointed to deal with it, but it might in that case be a committee of specialists on whatever individual problem happened to arise in regard to military supplies. Both Colonel Drake and myself and the military people feel that



there is no longer any need for this original committee which was appointed more than a year and a half ago to deal with the problem.

DR. WILSON: Mr. Chairman, before the committee is discharged, and they have certainly done a fine job here, I would like to have a little more information than appears from this report. I don't think there is any one in the oil industry that wants the Government to buy any more than they need, but it is difficult for me to understand when the Army and Navy knew we were in desperate straits to supply our customers and having to allocate and go through all kinds of grief and spend millions of dollars to get a few extra barrels of product, their demands were absolutely minimum, they must have every drop they insisted, the airlift is still going on as strong as ever. Why is it that when they can get it they don't want it, and when they couldn't get it they insisted it was absolutely essential?

CHAIRMAN HALLANAN: Mr. Page, can you answer that question?

MR. PAGE: No, sir, I am afraid I can't answer that. All I know on this point is that I know there has been a stock built up of military gasoline during the past six-month period and that that was a planned stock build-up to target level which they included in their requirement. The requirement figures are not necessarily consumption figures. They

are a combination of stock build-up and consumption figures. We know that the military stocks are now fully adequate.

I am surprised that this recent change was the result of revisions of the Air Force estimates in their requirements over this period. I am given to understand that it is a matter of the amount of money available, but I am not sure of that point.

CHAIRMAN HALLANAN: Mr. Friedman, will you comment on this?

MR. FRIEDMAN: Dr. Wilson, I understand Colonel Tulogg, who is head of the purchasing agency for the joint services, will be here this afternoon to comment on just that. They also are worried about the effect this may have on the future attitude of the petroleum industry. I understand the reason for their actions are very good and unavoidable.

CHAIRMAN HALLANAN: Did you imply you wanted to hold this committee intact until that question is answered by the military? I think you might propound it to Colonel Drake. The question, Colonel, is about the discharge of your committee.

COLONEL DRAKE: That is what I am back here to ask.

CHAIRMAN HALLANAN: In the meantime, Dr. Wilson has proposed a \$64 question that I think he might repeat to you here.

DR. WILSON: I just want to ask the committee before

the committee was discharged, apparently the committee can't answer the question, so I am willing to discharge them.

COLONEL DRAKE: Fine. I came back at the right time, I see.

MR. HILL: I would like to ask a question. I think the committee has performed an outstanding service. The committee is highly representative of the industry, and I think it is of great value for that committee, if it isn't asking too much of them, to continue at least in a stand-by capacity, for the reason that this Council has no more important function than to aid the Government, the military, in curbing its requirements. I think it is a matter of very great satisfaction to the members of the industry to know periodically whether or not that situation is being dealt with to the satisfaction of the Government and if there are reasons for dissatisfaction, what they are. A periodic report is a very satisfying thing, particularly if the report reflects such conditions as exist today and as this report manifests.

CHAIRMAN HALLAMAN: This has been one of the main anxieties that we have had.

DR. WILSON: I will be glad to have Mr. Bruce Brown's opinion. He has been in close touch with the military on other matters. Possibly he could throw a little light on the desirability of retaining this committee.

CHAIRMAN HALLANAN: I was going first to ask Colonel Drake if he desired to supplement any remarks made by Mr. Page, expressing his own views.

COLONEL DRAKE: He read the report, didn't he? I have nothing other than that to say except that I think this Council owes a great debt of gratitude to Mr. Page for the active work which he has done. The Chairman really hasn't done very much. I would like to move a vote of thanks to Mr. Page because he has done a tremendous amount of work. Every single week he has been on this job, and I have been only here and there occasionally.

endgl  
whgfls

CHAIRMAN HALLANAN: I know the Chairman has done some work, because I have been with him on several occasions when he has done some.

MR. DRAKE: There is a lot of work in this thing, at least, there was for Mr. Page. I don't see any necessity for keeping the committee.

You have authority to appoint one, don't you, when an emergency comes up?

CHAIRMAN HALLANAN: That is upon request from the Director of the Oil and Gas Division.

MR. DRAKE: I don't wish to press it in view of what George has just said, but I thought usually it had been the custom here that when a committee had been appointed and it had finished its work, so to speak, it was discharged.

I thought that was a sort of axiomatic thing. I think the committee feels, speaking for them, that its work has now been completed.

How do you feel about that, Mr. Page? You have talked with the military people, and they are quite agreeable to have this committee discharged, aren't they?

MR. PAGE: Yes, that is correct.

MR. DRAKE: That has been checked with them.

MR. PAGE. I might mention a couple of points in regard to what Mr. Hill said: With regard to the report, the military are now publishing regularly figures both as to

their requirement and commitments, which go to the trade press, and they are also given to Jim Brown for distribution to various people like the statistical committees, FAPI and others.

Therefore, if this committee is discharged, the figures and information will still be available to the industry through the trade press both as to the requirements and commitments, and any changes in requirements.

In regard to the question of whether or not the committee can do anything at the present time in regard to what the military needs, I think that is a rather difficult thing for the committee itself to do; that is, to call a meeting of the committee to go into any such problem, unless there were a real serious problem that arose.

Individuals, of course, have discussed with the military people what they are doing, and in the past, I would certainly say the armed services purchasing agency has been very cooperative in trying not to over-press at certain times, they get pressure on them from the various forces.

They are not free agents, themselves, in what they do. On the other hand, I think if any problem arose, it might better be handled by a special committee and a small committee which could deal with that specific problem, because I think it is pretty clear that the general over-all problem of inadequate availability of total petroleum products is now out

of the way.

So, I think it is really a question of whether or not, if something arises in the future, which I don't anticipate personally, but anything can happen, whether or not that should be perhaps another type of committee, to handle whatever problem that is, that arises.

Furthermore, I think there is this point: The military people, all of us, I am sure, if they ask our advice on any particular problem that they happen to have, we can give and will give individual advice to them. They now have rather broad contacts within the industry with various individuals, and any little problems that arise now they do call people on the phone and ask them what their opinion is, which on those small matters is merely a matter of cooperating and being helpful with them, which I am sure everybody will continue to do, but it is hardly a thing that needs a full committee to deal with it.

MR. BARTON: Mr. Chairman, I agree heartily with what Mr. Hill has said about this. I have seen this thing bob up and down. I think that you should have a small committee that is in contact with the military. We don't know when the situation might change. It has changed very materially in the past few months, and I know that the industry has been called upon to make unusual expenditures and unusual efforts, and probably we could guard against those things.

Whether you discharge this particular committee -- I know committees like to get rid of their jobs, and this one has done magnificently -- I would like to suggest to you, sir, that you keep a committee of that nature that can advise this council here.

CHAIRMAN HALLANAN: Colonel Drake, I think there is a feeling in the council that there is some assurance in having such a report as we have had today from your committee.

Would there be any objection to having your committee stand by at least until the next council meeting, and we will consider the matter further?

MR. DRAKE: No.

MR. MAJEWSKI: Mr. Hallanan, I want to speak on this, because it not only involves this committee, but allocation committees under the petroleum agreements, and such programs on the agenda:

I would like to suggest to you that we watch carefully the wording, because there is no existing allocation program that I know of on the voluntary basis in the industry.

As a matter of fact, the total provision today is in such shape for the present, and for the foreseeable future that you don't need any committees. I am afraid that unless you apprise the President of the United States that there is no necessity for the petroleum industry to be included in the President's program for Selective Stand-by price and



Allocation Controls, we might get hooked.

As one, I want to get rid of all committees on allocations of petroleum products. When you have the total answer, as you have portrayed in so few words, Howard, we don't need any more of these allocations committees.

Before you leave Washington today, and before the new Congress goes to work, keep all the committees, but discharge District Two, because what we want to tell the President of the United States is that the oil industry through its effort in the past year of 1948 and part of 1947 is now able to take care of the consumer needs of this country and the military needs, unless there is a war.

Being peace-minded people in the oil business, we don't ask for a war to bail us out. You smart men like George Hill, and you, Colonel, are asking for continuation of government controls and voluntary agreements, and you amaze me.

I want to suggest to you the whole program. I want you to put the good Doctor on the spot, being Chairman of a committee on voluntary petroleum allocation agreements, that we prepare a report, that the council does, through his committee, stating the facts, the achievement, publicizing them widely after we have transmitted them to the Secretary of the Interior.

I won't go on, and ask Bob Friedman's crowd to join

in the report, because he and Max Ball played an active part in solving this problem.

But let's get out of the allocations business, and committees, before Congress meets, and before we have any more messages. I am frightened at you two people. What the oil business needs now is customers, and not agreements.

MR. BIAUSTEIN: It seems to me, too, that temporary committees ought to be temporary committees, and we should not run the risk and place subcommittees in the position of running the risk of their carrying on as though they were permanent committees.

Colonel Drake and Mr. Page, and the military have said that this committee for the time being is not necessary. I think we ought to follow the suggestion, and discharge the committee.

MR. MAJEWSKI: I want to second Colonel Drake's motion to discharge his committee.

MR. HILL: I find it necessary, Mr. Chairman -- if anybody else in the room understood my remarks to bear the remotest relationship to Barney's discussion, I want a private conference with him.

I don't know that allocations, voluntary or involuntary, have any relationship to this committee. If it does, it is a matter of extreme surprise to me, and I think Barney is talking about a subject entirely foreign to what was

in my mind, and which I hope was implicit in my words.

I am now just one of many members of the council who never even engage in that character of business which results in the supply of the military requirements. Therefore, I don't read the trade journals in those particulars that deal with military requirements, and military coverages, but it is a matter of extreme importance to me as a citizen to know that at least our chief function is being satisfactorily discharged.

When it is so told to me in a committee report by men like Colonel Drake and Howard Page, then I have a feeling of great internal satisfaction.

That is what I am talking about, and that alone. I would rather not be left to my own interpretation of these cold figures buried in the oil and gas journal, to have that innate desire to know satisfied in that respect.

I thought, if it wasn't too great a burden to the committee to report at each council meeting or every other council meeting that the situation was being met as the committee reviewed it and understood it, there are lots of us here who are in segments of business that have no relation to that problem and could make no contribution to it, and yet, as citizens, we are tremendously interested in it.

MR. JONES: Mr. Chairman, will the Senator yield a minute?

I have just one observation to make: I call attention

to the fact that under the articles of organization, once a committee is dissolved, it is a hell of a job to get it reconstituted.

Barney, you may have overlooked this. If we discharge this committee, which I think is a very important committee of this council, and the Oil and Gas Division or the Secretary of Interior wanted a new committee set up, we ourselves have laid down the rules and regulations which do it. It means the calling of a meeting of the agenda committee to see whether they feel it is appropriate.

Then it requires a meeting of the council and three or four months might elapse between the express desire and actual formulation or appointment of the committee. We ought to go into that or at least consider it, before we take action on it. It is not for me to say.

I do know, however, I have had a little contact with the various departments who buy supplies for the government, and they don't know from one week to another what the hell their requirements are. I am inclined to think at a meeting next Tuesday you will find they are scurrying around here, Barney, trying to buy a lot of material we don't know about.

I would be much obliged if Colonel Drake and Howard Page would sort of continue to function. I strongly recommend that we not hastily discharge this particular committee.

MR. FRIEDMAN: Unfortunately, I find myself agreeing with both sides, as I frequently do. But certainly, from the point of view of the Oil and Gas Division, it would be very desirable to have the committee still in existence.

As has been pointed out, the changes in the oil supply situation have been rather rapid, and they have been drastic. When military problems arise today, there isn't time to go through motions and formalities to meet them. They arise constantly, and they are still a few problems in existence for the military on petroleum supply, particularly on the west coast.

I think they will be solved, but they haven't been solved yet. The military is not being able to lift its requirements for motor gasoline from the west coast, for example.

I would like to ask that the committee do stay in existence until the next meeting. I think it has very little to do with allocations. I think it is a question of having a place to go if a problem does arise, and a place where we can get assistance and an answer immediately.

I hope the council will decide at least to extend the committee's life for three more months.

CHAIRMAN HALLANAN: I think a motion is pending that the committee be discharged. Was there a second to that motion?

CHAIRMAN HALLANAN: I had that particularly in mind: the very point you make. It is a difficult and long trail to reactivate and reconstitute these committees.

MR. MAJEWSKI: Thank God for that!

CHAIRMAN HALLANAN: This is one committee that has been continuing. I think it is a sort of satisfaction to know that this committee can report that there is no critical problem that we have, in such a report as we have had today.

In view of Colonel Drake's statement that he had no objection to this committee's continuing for a time, I hope it will be the sense of the council to have it continued. I see no connection between this committee and the voluntary allocations committee, because they expire when the statute expires on the first of March. They have life under the act which expires on the first of March, and they expire automatically beyond any control that we may exercise.

MR. BRUCE K. BROWN: As a member of the council, may I add my endorsement to that of Colonel Drake and Mr. Page: that the committee be discharged, stating my reason that it is agonizing to start a new one.

I think we should mark the end of the shortage era and all the commitment on the part of the military by discharging the committee when they themselves have agreed to it.

I think it is sound politics to do it, and we can start another one if we have to.

MR. MAJEWSKI: I seconded it as a member of the committee.

(The question was called, and the motion was defeated.)

*Majewski*  
MR. JACOBSEN: Mr. Chairman, may I express my regret that you were not able to act in the same decisive manner on the second of November.

MR. HARDEY: Mr. Chairman, the discussion of keeping in existence the previous committee brings to mind the committee of which I am Chairman, the Production and ~~Fuel~~ *Crude* Availability Committee.

There is no question, of course, at this time that supplies are balanced with demand, or better, and I wonder if this council won't continue the Production and ~~Fuel~~ *Crude* Availability Committee with the usual annual report.

I have no recommendations. I would like to leave it to Mr. Friedman and Mr. Ball, as to the necessity of our continuing these studies of production ability and rendering of reports.

The committee would like to be instructed, either to be discharged, or some instructions as to what its duties are in the coming year.

MR. FRIEDMAN: Major Hardy, I certainly hope the committee will continue. If it doesn't, there is no way to get the facts as to whether or not we do have a surplus or an

adequacy or deficiency. The report will be rendered by no one else on availability if your committee doesn't do it.

I think it is just as important for the government to know that there is a margin that can be relied upon in the event of peace or war as it is to know that there is a deficiency.

I hope that the committee will continue to make its reports.

MR. HARDY: I would say as the matter stands now, an estimate of crude availability, making our estimates up to June 30 of this year, would be desirable to you, do you think, to supplement that with another report on the third quarter of that year for the 12 months approaching after June 30, the fiscal year beginning the first of July.

MR. FRIEDMAN: Yes, I do. In keeping with the usual custom.

MR. HARDY: I would like to have the Chairman feel free to reappoint or reactivate this committee with a new Chairman or new officials, so as of January 20, in keeping with the custom, if you see fit.

CHAIRMAN HALLINAN: Major Hardy, we will take that into consideration.

Mr. DeGolyer, are you ready to report?

MR. DE GOLYER: Your Nominating Committee found itself on the horns of a dilemma. The first idea we had was



to renominate everybody now in office, and let it go at that, but it was thought that it would be much better for the council, if changes were made in the old officers and old committees and they were not renominated, just as a matter of form.

Our report is that we suggest for nomination for Chairman Walter S. Hallanan. For Vice-Chairman, R. G. Follis. For Chairman of the Agenda Committee, George A. Hill, Jr., and for the other members of that committee, William R. Boyd, Jr., Hines Baker, Fred Shields, Max Ball, J. Parks Gwaltney, A. Jacobsen, J. Howard Marshall, A. C. Mattei, B. L. Majewski and L. F. McCollum.

For Chairman of the Appointment Committee: Frank M. Porter, and the other members Jake L. Hamon, B. Brewster Jennings, Reese H. Taylor, W. Alton Jones, E. E. Pyles, M. H. Robineau, W. S. S. Rodgers, N. C. McGowan, H. L. Thatcher and L. S. Wescoat.

(Mr. DeGolyer took the Chair.)

ACTING CHAIRMAN DE GOLYER: The report of this committee is now subject to action.

MR. MAJEWSKI: I move the adoption of the report as read by you as Chairman of the Nominations Committee, and that the Chairman and Vice-Chairman be elected by a unanimous and rising vote.

MR. JACOBSEN: May I offer an amendment? Couldn't

we make the appointment for life?

MR. MAJEWSKI: I am in favor of it.

ACTING CHAIRMAN DE GOIYER: Is there a second to the motion?

(The motion was duly seconded.)

ACTING CHAIRMAN DE GOIYER: Are there any remarks?

(The question was called, and the motion was carried by a standing vote and applause.)

ACTING CHAIRMAN DE GOIYER: The Temporary Chairman declares a unanimous election, sir.

(Chairman Hallanan resumed the Chair.)

CHAIRMAN HALLANAN: Thank you very much, gentlemen.

You know, this is a third term. I remember it was not long ago that the mere mention of a third term made the shiverings come up and down my spine, but I do want to take this opportunity to express my appreciation of the confidence which you have given me.

Gentlemen, I desire to present the Secretary of the Interior, Secretary Krug.

(The audience rose and applauded.)

CHAIRMAN HALLANAN: I was just trying to acknowledge a third term nomination, Mr. Secretary.

THE HONORABLE JULIUS A. KRUG, SECRETARY OF THE INTERIOR: I am mighty glad to hear that.

CHAIRMAN HALLANAN: I do want to say in all candor

that I would rather have the confidence and the respect of the oil men and their people than that of any other group that I ever knew or ever heard of, and I am glad to have this honor. (Applause)

I didn't pick this job, and was not anxious to have it, as you know. Some of my friends did that one night before I came here. I was reluctant to accept it, because I have had the feeling that an individual from the council with the responsibilities of the Chairmanship of this council has a very definite feeling that there were men far more capable to do a better job, far more broad-gauged in their experience in all of the activities of the industry.

I appreciate the expression of your confidence in the way I have attempted to carry on this important assignment.

I accept the honor that you give to me today with the same serious conception of the problems that we are called upon to face. I do know, however, with the feeling that the task will be lighter in the months ahead, that I shall apply myself wholeheartedly to this task.

The good faith and fruitfulness of the cooperative endeavor between industry and government, so much doubted by some in the beginning, has been firmly established. We have given a practical demonstration that industry and government can work together effectively in the public interest without the surrender or compromise of any of our concepts of free

enterprise.

In reviewing the objectives that we have sought, may I recall one paragraph from the report of the Committee on Organization which was adopted by the council at its meeting on September 26, 1946, and I quote:

"It is the sense of the Committee that the National Petroleum Council can fulfill a useful function in petroleum industry relations, representatives of the Department of Interior, in an advisory capacity.

"It is therefore recommended that the council undertake to function in accordance with the program hereinafter outlined."

That was our declaration, our Charter of Principles.

Today, a little more than two years after the adoption of that report, we can take reasonable pride in the realization that the council has performed a very useful and worth-while function. This is no longer a matter of theory or a matter of speculation. It is an established fact, recognized by the industry, recognized by the government and by the public generally.

Since the War the American Oil Industry has found it necessary to engage in the greatest expansion program in its history. I regard that as the most brilliant chapter in the history of the industry that that which has been written

in these difficult post-war years.

The highest expression of its usefulness has been reached through its recognition and full discharge of those public responsibilities which go with strength and power and with rapidly changing economic conditions.

We have felt that by meeting those obligations squarely we could make an effective contribution to the public welfare and toward the maintenance of the industry's traditional freedom. This we have done.

Not only has the industry met a demand for oil products that was undreamed of even during the war, when it was called upon to supply the tremendous needs of our armed services and those of our Allies, but in the short period of three years it has expanded its productive facilities to the point where we can now look with much confidence to the building of a cushion of safety for any future national emergency.

The industry has been able to meet this challenge because it has remained free. There was a time at the inception of this experiment in government-industry cooperation when a few thoughtful and sincere men within the industry felt very earnestly that our acceptance of the government's request for our cooperative endeavor would lead inevitably to the surrender of our industry's freedom to some degree. However, the great majority of those within our industry had every confidence that the Secretary of the Interior, the Director

of the Oil and Gas Division and their associates were acting in good faith and without any semblance of thought of subjecting the industry to any degree of regimentation. They told us that in understandable language, and we accepted their assurances as genuine.

These representatives of government recognized, as did most thoughtful and informed persons, that the oil industry faced a post-war challenge as grave as that imposed by the emergency of war. In this situation we could realize that the government did have a direct concern, because of the vastly expanded oil demands of our peace-time armed services, and because of its responsibilities to protect the public welfare.

We accepted the request of the Secretary of the Interior in the same good faith that it was made. We put our shoulders to the wheel, and from these reports that come here today, I think it is quite manifest that the job has been done. It has been accomplished despite the handicap that we have had from critical shortages of essential material. The inability to obtain adequate supplies of these materials has crippled and retarded our efforts, but despite these handicaps the more serious immediate problems have been solved.

Instead of imposing or threatening any restraints upon the industry's traditional freedom, this cooperative endeavor has actually been a road block against those whom we know have a deep and lingering desire to regiment the oil

industry and bring its facilities under direct control of the government.

Frankly, I do not believe the industry's most serious problems of the last two years could have been solved as effectively and as quickly without the cooperation we have had from the government. Had they not been solved, had our armed services been unable to obtain sufficient products to meet their ever-growing demands, or had there been a recurrence this winter of last year's shortages of fuel and heating oils which came about largely from transportation bottlenecks, we might today face a very serious threat of some measure of federal control.

In this experiment in which you and I have been active participants, I think we have pursued a course of action that should allay any concern of those within our industry, or those of similar skepticism in any other vital industry that there can be no peace-time cooperation between government and industry. The trail we have blazed within the National Petroleum Council has given the answer to that challenge. It has been demonstrated that this plan is a two-way proposition in every respect. We are aware today that, measured by any yardstick, the petroleum industry has achieved its highest degree of performance during the era when our cooperative effort with government has been a reality.

It is not necessary for me here to recount the broad

range of subjects which have been considered by the council at the request of the government. You are quite familiar with the extensive scope of subjects covered by committees of the council which have given their earnest thought and consideration to the various problems arising in connection with the petroleum industry.

I may point out, however, that over the years we have compiled a record of technical and factual information which constitutes a valuable source of information to the government on problems of the oil industry wherein it was desirable that the government should have the information in relation to problems of national welfare and national security.

Here, today, we have been called upon to give a pronouncement to a national <sup>oil</sup> policy representing a cross-section of the best opinion of our industry as to what place the petroleum industry occupies in our American life. This is a historic document formulated by the industry at the request of the Secretary of the Interior which should point the way to even greater achievements in meeting the demands of our times.

This is a new milestone in our American way of doing things, and the first time to my knowledge that a great industry has come forward with a declaration of fundamental principles upon which it is willing to stand.

Gentlemen, I am of the deep conviction that the



council has rendered a service not only to the government, but to the industry itself. There has been teamwork between the council and the government, and there has been teamwork here within the council. The members of this council and many others of the industry aside from the council membership, whom we have called upon, have taken their assignments most seriously and have given freely of their time and talent.

Out of their vast store of experience and know-how we have moved toward the solution of our problems, problems that go far beyond the industry itself, national problems, if you please, that affect America's economy and safety and the day-to-day lives of all of our citizens.

The industry has been fortunate, indeed, it has been a stroke of good fortune for the nation, that the government's part of this joint enterprise has been in the hands of able and broad-gauged men like the Secretary of the Interior, Mr. Krug, and Mr. Max Ball, the Director of the Oil and Gas Industry, and as an assistant, Mr. Robert Friedman, and their associates. They have met us in a fine spirit of cooperation. Their helpful attitude has made our task much easier. The departure of Max Ball from the government service is a serious loss to the government, to the industry, and to the public. At a considerable personal sacrifice he served ably and faithfully for the last two years as director of the oil and gas division of the Department of the Interior. A very large part

of the success of our cooperative endeavor has been due to his outstanding ability, his tactful leadership and his sterling Americanism.

We are happy, now that he is a member of this council, that he will sit at the table with those of us who represent the industry, and that we will have the benefit of his advice and guidance. I know that every member of the council joins with me in welcoming him as a fellow member.

After two full years of cooperation between government and industry, I think it is an understatement to say that the government has been satisfied with the performance of the industry, and that the industry has been satisfied with the performance of the government. The public, which has been the beneficiary of this closer relationship and endeavor, applauds the performance of both. We have worked together as a team to bring about a wholesome situation without either party being called upon to surrender any of its prerogatives.

I have accepted it as a part of the responsibility of the Chairmanship to let the public know what the council was doing. I have felt that we had a very real obligation to keep the public fully informed, because after all, this council is a semi-public body. I have regarded it as particularly desirable that the public be made aware of the fact that the council has not operated behind closed doors, that our meetings have been open to representatives of the Executive

and the Legislative branches of government; that they have been invited to attend and participate in our discussions here.

The public response to this policy of full information has been very gratifying, and I feel it is most desirable that such a policy be continued in the future.

It is in this same spirit of cooperation within the framework of our way of life that we enter upon another year of this cooperative undertaking. It is in that spirit that I accept your designation as Chairman of the new Council. I know that I will continue to receive the same full measure of support of all the members as I have in the past.

I must here give expression to the very deep feeling of personal satisfaction that has come to me through the associations I have had with you. Through these contacts, I have come to know you better and my life has been made fuller and happier as a consequence.

Again, I thank you for the honor you have done me, and I assure you that I will give the best that is in me to conduct the affairs of the council in a way to maintain the public confidence that we seek to achieve. I thank you very much. (Applause) (The audience rose and applauded.)

I have told you how I feel, and I am sure the council will be glad to know how you feel after our two and a half years of work together, Mr. Secretary.

SECRETARY KRUG: Thank you, Walter.

*see statement  
edited by Secy Krug  
(minor changes  
only)*

Members of the council, particularly the new members of the council: I want to start off by giving you a warm and hearty welcome to a relationship with the Department of the Interior and the other departments of the government. I want to assure you that you will find the same wholehearted, sincere, straightforward cooperation of all of our people that you have experienced during the last two and a half years, and I think it is quite fortunate that we can look forward now to a considerable period of uninterrupted work in accomplishing the purposes of the council and the purposes of your government dealing with the petroleum industry.

I also want to congratulate the council on the selection of Walter Hallanan for a third term. Walter, if you aren't careful, you are going to be the Franklin Roosevelt of the National Petroleum Council.

I don't think you could have made a better choice. I had planned, frankly, to come down here this morning and extol our accomplishments of the last two years, but in hearing Walter's talk, I must say I could not possibly do a better job in my own words in expressing the achievements of the council and the feeling of government satisfaction with the work of the council.

It has been a great job. It is deeply appreciated, not only in the Department of the Interior, but throughout

the many departments and agencies of the government that have affairs and relationships and a dependence on the vital oil industry. It has been a great experience for me.

I think you know that as a result of this experience, or largely as a result of it, we have set up over here now several other important industry councils, namely, one in minerals and one in bituminous coal. We have expanded the activities of the advisory committee on anthracite coal. They are following in the footsteps of the National Petroleum Council, seeking to do for their industry and for government dealing with their industry what you gentlemen have done in this vital field.

I think all of the members of the council would agree with me that Max Ball and Walter Hallanan deserve the lion's share of the credit in that great accomplishment. I didn't have the pleasure of knowing either of these gentlemen until this council was formed. I think I have come to know them very well during the past two years, and I share with Max and with Walter their pride in great accomplishment in a very important field.

You will recall that when I met with this council I think two or three months before election, I reviewed briefly the accomplishments and our satisfaction with those accomplishments. As I recall it, I think I told you we were going into a rather difficult period., that some of you

might get pretty angry at me, and maybe I would get mad at some of you, and that I hoped those difficulties in democratic institutions would not interfere with the work of the council.

Since that time, I did spend a rather exhausting two months in the western states tilling those fertile acres and I think fortunately some of them turned out to be pretty productive acres. While I was out there tilling the acres at least 20 or 24 men who have the deluded but happy thought that the Job of Secretary of Interior is an easy one all moved in to take over my job. I have returned from that trip. I feel well and rested, and I think at least a few of them have a little different notion as to what kind of job being Secretary of the Interior is.

So, I can tell you that I never have felt better in my life, and I have never looked forward to a period of work with greater anticipation and enthusiasm.

On your part, I must say that while perhaps a few of you took a worse beating than I did, I can't see any of you look very bloody, and certainly I can't see that any of you look other than unbowed (laughter). That is a great tribute to the recuperative power of a great part of this great industry.

There are a number of difficult problems ahead of us. I don't plan to discuss them here today. I did want to

mention two or three of them briefly.

I understand the council today will have an opportunity to consider a report on national oil policy.

CHAIRMAN HALLINAN: That report has been adopted.

SECRETARY KRUG: Fine. Needless to say, I look upon that as an exceedingly important document, and I expect to study it with a great deal of interest.

I think I would be less than frank if I didn't tell you quite frankly that one of the recommendations I understand is incorporated in it, namely, that there should be state control of the tidelands, does not agree at all with my point of view, and frankly, I don't think it is in the interest of the oil industry.

Whether that is true or not, I think I should tell you that I feel strongly that in trying to accomplish that purpose you are, if I might talk bluntly, butting your heads against a stone wall. While that is your own business, you having your own heads and you can do with them as you will, unfortunately, that isn't quite the case, because I am fearful that if there is a continuation of a bloody battle between the federal government and the states and the oil companies, we will not get the kind of legislation that we really should have to make a good, reasonable, practical, long-range plan for developing the rich resources of the tidelands in the interest of America.

I am not telling you how hard to fight your cause, but don't fight it so hard that we don't come out with the kind of measure in the Congress that will give us an opportunity to develop these resources the way our American experience has shown to be the best.

I hope that all of you will consider that most seriously in the two or three weeks ahead, because I think it is of vital importance not only to the country but to the future of the oil industry itself operating in those very important areas.

We have done a great deal of work on steel, and after months of effort on your part, and on the part of our people here, we have, I think, convinced the steel industry of the vital needs of the petroleum industry, and I think they have already made substantial progress in providing a greater capacity of steel for this important industry.

I was a little disappointed to learn this morning that at a meeting in the Commerce Department, I believe yesterday, the industry was satisfied with what had been done and didn't think it necessary to push further to get a firm understanding and agreement that we will get the materials that are promised to us. I think that was a mistake. I am as happy as you are over the tremendous progress that has been made in increasing the supply of petroleum and meeting the necessary demands of the public, but I don't think this is the time to - shall I



say, relax and enjoy it. I think we must continue to do everything necessary to get an adequate supply of steel and other materials to the petroleum industry.

As I have told them over there many times before, if they are willing to say they are doing all this, why not have it firmed up so we know it is going to be done. So, I hope we will get the support of the industry people who have been working with us in achieving that purpose.

I believe one other matter is coming before the council today, if it hasn't already, which has to do with the kind of organization we ought to have between the petroleum industry and the government in time of emergency. I think that is an extremely important question from the point of view of the industry and the government. I think it is important because a great deal of thought is being put into it by other groups in Washington who have some concern with this problem either with respect to various industries that border on the problem of supplying petroleum, or other industries completely independent of petroleum.

I would like to see us make the most effective use of the valuable experience that you men gained during the last emergency in setting the blueprint for the next one. I hope the group that is working on that will fight for their objectives, because I found by bitter experience in the last war that what you know will work is far more effective and

useful than something that looks beautiful on paper but has never been tried out before.

I want you to know if my support or my help will do any good in getting that blueprint fixed for the next emergency, I want to help you with it.

I think the entire council and, through the council, the entire industry is to be congratulated on a perfectly magnificent job of boosting petroleum supply to meet the vital demands of the country.

Well, we all struggled through a difficult and dangerous and exhausting winter a year ago, and thanks largely to the work of the council and the subcommittees that were established, that problem was met, and through the all-out efforts of every unit in the industry the situation has so much improved this year that I think all of us in government, and I trust all of you in industry, look forward with confidence to the future and with great satisfaction to what has been accomplished during this very short period of time.

I want you to know that I am deeply appreciative of what has been done, and I have heard it echoed all over the halls of Washington, a full and thorough appreciation and thankfulness for the industry's stepping in and boosting up supply by almost ten percent, and thereby giving us stocks to go into what appears already to be a most difficult winter, and a long, long time, with a good opportunity for meeting all

all demands.

This is in part a new council, but I am very happy to see so many faces here of the old council. I think it is safe for me to assume that you busy men are here because you think your contribution is worth while, and I feel that it is by that kind of contribution and continuous effort that we will really get an effective working relationship that will work not only for the year ahead, or the four years ahead, but for an indefinite period ahead, regardless of administration in government, to assure a smooth, effective, working relationship between government and industry in this terribly important field.

I thank you very much for this opportunity to talk with you again. I want you to know that at any time, Walter, as I think you have found it in the past, we are ready to help. At the same time, we won't hesitate to toss something your way when you can do a job for us, as you have done in the past.

It has been a great and happy relationship from the point of view of government. I hope you will be able to repeat what you said this morning a year from now, and a year after that and a year after that. As far as I am concerned, you can be Chairman from now on out.

(The audience rose and applauded.)

CHAIRMAN HALLANAN: Mr. Jacobsen?

MR. JACOBSEN: Mr. Secretary and Mr. Chairman, I won't take more than a minute:

Before the Secretary came down this morning, I made the statement as Chairman of the National Oil Policy Committee that we have appreciated very much indeed the unlimited scope we were given in the Secretary's request for an expression of policy.

We were not asked to make suggestions of policy in respect to this point or that point. We were given complete latitude. We took it for granted, because you know it is the case, that when the Secretary asked that of us, he wanted us to be perfectly frank in our recommendations, which we have been.

It is entirely right that the report recommends state ownership of tidelands. We know perfectly well that that did not square with the Secretary's own ideas, or with the official policy of the administration, but we were asked to express our opinion, and we have done so with complete honesty all the way through, and at no time have we said we won't say that because maybe the administration won't like it, or we won't say that because maybe it doesn't agree with the Secretary's view.

We took it for granted, and I am sure we are right in that assumption, that when you asked us for an expression of opinion regarding policy, you wanted exactly what we have

good many of us thought we were getting pretty close to our refining capacity. We finally have the figure for what happened to refinery capacity during the two years.

Again refinery capacity increased at an unprecedented rate, and the margin of about ten percent of still further operations that could be done is still there.

I may say that that was done very largely by the \$5 billion that the oil industry invested in the expansion of facilities, and that if we had had an excess profits tax such as we are worried about or have been worried about, it could not have been done. We are very much pleased, I am sure, to see that less emphasis is being put in on that angle.

I would like to ask the Secretary if he has any comments on a problem that another committee of which I am Chairman has to express an opinion on, and that is whether there is any need or any desirability of retaining the setup for voluntary petroleum allocation agreements.

I have not firmly made up my mind until I hear the reports of the district committees, but I think it is obvious that they had practically nothing to do this winter and I see no good reason for continuing those when there obviously doesn't seem to be any problem now or in the near future.

On the other hand, I am sure we would appreciate hearing his views on that subject before he leaves.

SECRETARY KRUG: My views are incorporated, Doctor,

given you: namely, a completely honest expression of our opinion.

SECRETARY KRUG: That is exactly true, and I didn't even want to pass the inference that I didn't want that subject covered in that way.

MR. JACOBSEN: That is right.

SECRETARY KRUG: I do think it is important to keep this in mind: I know from my own experience with you gentlemen that hardly without exception you want state control of the tidelands, but my point is, if you aren't going to get it, is it wise from the industry's point of view to keep pushing for it?

Frankly, I don't think it is.

MR. JACOBSEN: Just to clear the slate, I would like to say the company I represent doesn't have an acre of tideland, and has no intention of getting it.

SECRETARY KRUG: I understand that.

MR. WILSON: Before the Secretary leaves, I would like to call attention to a point concerning your remarks and his, on the chart on the wall here which is a response to his request for a chart of the refining capacity in this country.

You are familiar, of course, with the daily report showing how crude runs have run up more sharply than in any comparable period in history during the last two years. A

in a release we got out. It was issued just today, as a matter of fact. I thought it was yesterday.

The Attorney General wrote me with regard to the same problem, and his view parallels your own, based on our reports, and your reports, that things were all right now.

I wrote him back saying we agreed that that was the way it appeared, but in view of the fact that we have only another two months to run, anyway, we might as well let it run out, rather than do anything about it.

That is the substance of my letter to him, and that is my feeling. It won't make any difference, and I hope we won't need it, but let's let it die a natural death and not take any action.

CHAIRMAN HALLINAN: I think Dr. Wilson's question was as to the desirability of renewal of it.

SECRETARY KRUG: I don't see any reason for renewing it at this time, and I don't see any reason for having them unless they are based on real necessity.

MR. WILSON: I agree with you.

MR. MAJEWSKI: If there is no need to renew it, then while he is here, we ought to disband them, because the Department of Justice will be upset, and a lot of people will be upset.

Why put the burden on the Department of Justice and on ourselves? I like what you said last, not so well what you said first, about that.

SECRETARY KRUG: I don't think the Department of Justice is that disturbed, and I think will worry about how disturbed they are.

MR. MAJEWSKI: I am disturbed, because never does the Secretary of Interior get indicted. It is the guys in the oil industry.

SECRETARY KRUG: You apparently haven't read your history very well. (Laughter and applause. The Secretary retired from the room.)

CHAIRMAN HAIJANAN: Mr. Jennings, would you like at this time to discuss the situation with respect to the report of your committee, the National Petroleum Emergency Committee?

MR. JENNINGS: Mr. Chairman, as you know, our report went out to the oil council members I believe in the latter part of December. Within the last two days, I have received certain comments and suggestions with reference to that report, some of which I think have considerable merit, others of which maybe not so much so.

I would like, if it is agreeable with the council, to try to arrange a meeting of those members of my committee who are present during the lunch hour, and try to make a report to the council during the afternoon.

Could I ask now that such members of that committee as are here join with me after the meeting?

CHAIRMAN HAIJANAN: In any event, all members of the committee on National Petroleum Emergency will please remain



in the room after the recess of the council.

Mr. Jacobsen, will you remain here with me, you as Chairman of the National Oil Policy Committee, so we can have some conferences with the press? I would like Dr. Pogue also to remain.

It is now 12:20 --

MR. PECK: Before the committee recesses, I have a proposal I would like to give the committee for study.

CHAIRMAN HALLANAN: Mr. Jennings, Mr. Peck has some suggestions also in connection with your report, and I suggest instead of presenting it to the council, that he present it to you, because your report is not before us.

MR. PECK: I will be glad to do that. Thank you.

CHAIRMAN HALLANAN: If there is no objection, the council will stand recessed until two o'clock.

(Whereupon, at 12:20 o'clock, p.m., the meeting recessed until 2:00 o'clock, p.m., of the same day.)

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THURSDAY AFTERNOON SESSION

January 13, 1949

(The meeting reconvened at 2:30 o'clock p.m.)

CHAIRMAN HALLANAN: The Council will be in order.

Gentlemen, at the session this morning we had under consideration the report of Colonel Drake's committee on Military Supply. There was some discussion at the time as to whether or not that committee should be continued on a stand-by arrangement. I was very anxious to have Colonel Cotulla, who is Executive Officer of the Armed Services Petroleum Purchasing Commission, make any comment that he desired to make, and bring us up to date on the situation which he faces on his end. I know that we had a great deal of satisfaction in receiving the committee's report, which indicated that our problems were pretty well over the hump.

Gentlemen of the Council, Colonel Cotulla. (Applause)

COLONEL COTULLA: Gentlemen, in a sense I may be rushing in where angels fear to tread since my name, I understand, was mentioned this morning in connection with Mr. Page's report. I am sorry that I was not able to be over here this morning. As a matter of fact, I was under the impression that you probably would not get to Mr. Page and his report until after lunch.

The position we find ourselves in now is in general quite satisfactory from our standpoint. I understand there

is some dissatisfaction which has been expressed along other lines. With one exception. I would like to mention that, you, and that is on the motor gasoline picture. As you know, our requirements are slightly under six million barrels, and our coverage to date leaves us considerably shy of that mark. We have tentative offers which make up a large share of the difference which is shown in Mr. Page's report and which he did not include. These offers, I am satisfied, will firm up, and it leaves us at the moment with a shortage of about a million and a half barrels. That in itself is not too serious because I think in the next four or five months we can come up with that product without too great difficulty.

Except for one factor, and that is the one that always bothers us when we leave it on a general basis that industry will provide, which we can accept is a pretty well known sort of fact, industry always has and I think you will in the future without any difficulty.

It makes it extremely difficult for us to get a signed contract in the hands of industry as a whole. When it comes down to nominating a specific supplier for a given cargo on a given date, there the shoe begins to pinch. Every one says, Oh, industry is going to take care of it, but I can't do anything for you right now." That is the predicament we find ourselves in particularly with respect to the West Coast.

We have 1,800,000 as requirement out there. We have

tentative offers amounting to between 80 and 90 per cent of that requirement. Yet, we contacted every major supplier on the West Coast within the past few days in a repeated effort to secure 20,000 barrels of motor gasoline. Finally one company came up and said, "All right, if you go around one more time and if you can't possibly get it any place else, we will take care of you." But that leaves us with a requirement coming up in February for 400,000 barrels, 410,000 barrels of motor gasoline. That is covered in the tentative offers, but this is for February. I have not discussed it with Mr. Stuart on the West Coast as yet, which I will do a little later in the afternoon, but we are in a kind of bind there because here it is the 13th day of January. So we do have that bad spot in our coverage so far as the military end of it. The rest of them I am sure Mr. Page has gone over and, as you can see, we are not in bad shape at all. We have a slight shortage in Navy special, which I think you will agree with me we probably will be able to eliminate in the near future.

Aside from that, I am quite happy. I look forward with some anticipation to some of the views that have been expressed to me that we are in effect going to have a buyer's market. I don't know whether that is exactly true or not, but I am looking forward to the time when my phone rings and somebody calls up and says, "Look, can you take another 100,000 barrels," and so forth. Aside from that, we are all

squared away.

If any one has any questions about the requirements which were not fully covered this morning, I will be very happy to attempt to answer them.

CHAIRMAN HALLANAN: Dr. Wilson, would you like to renew the question you propounded this morning when the Secretary was here?

DR. WILSON: The Colonel may have had some inkling of it, but I would be glad to repeat it because it is not my question. It is a question on the mind of a great many of us. As I said, we don't want the Army to buy a barrel it doesn't need or any other branch of the Government, because we know we will help to pay for it. But it is somewhat disturbing to those of us who had to spend literally millions of dollars to get extra supplies in a year ago to take care of increased military demands which they insisted were absolutely essential, and couldn't be postponed, or anything else, and when we had to take it away from our customers and undergo a lot of grief, to find that now we have enough to supply and the Army cuts down its requirements and the armed services generally, in spite of the fact that the Berlin airlift which was the reason for the great increase is still going strong. I can't understand it, and others can't, which tends to make us concerned about how urgent were those needs at the time when we were told they were absolutely essential and were minimum.

COLONEL COTULLA: I am glad, Mr. Wilson, you said you couldn't understand it and others couldn't understand it, because that takes some of the--I find myself a little bit at a loss at times to understand some of these things, too, without making any cracks at any of the people who determine the requirements. After all, as you know, there in the agency we merely get the requirements from the separate departments. We throw them together, and if there is anything that appears to be obviously out of line, of course we go back and check on it and say, "Look, are you sure this is what you really mean?"

I assume, since you bring in the Berlin airlift, you are referring specifically to the 100-octane.

DR. WILSON: Yes.

COLONEL COTULLA: Since I am not a member of the Air Force, I feel that I am skating a little on thin ice to comment on the difficulties that they had in determining their requirements, but basically I think, at least so far as I know, this is the problem, that there is a lull. We obligate, in other words, funds for the Navy, the Air Force and the Department of the Navy, and that is the trouble, when you don't have funds in the bank, and that is precisely the predicament we find ourselves in. The Air Force only released to us a certain amount of funds and stated this was only sufficient in their estimation to cover so many barrels of

100-octane. That is a very definite limitation on our procurement activities. We have to cite the specific appropriation each time we contract for a certain amount of product, and in the absence of that appropriation to cite, we can't contract for it. The Air Force - we have the availability of their funds, and we found that the Air Force had reduced their requirements from 9-1/2 million roughly to around 5.3 million, which was a reduction of something over 4 million barrels in their requirement. I assume that the Air Force did that with a great deal of reluctance, and the cut has been dictated almost entirely by the availability of funds.

That is the impression I get. As I say, I can't speak definitely for the Air Force and their budget section. I don't know, but that is my impression. The reduction in the requirements is based largely upon the availability of funds to the Air Force. There may be other factors which enter into that. Their anticipated consumption may not have been as great as they had previously figured it would be. It is extremely embarrassing to me in the agency because I am quite well aware of the fact that you people have in a number of cases contracted for outside supplies of materials to blend in with your stocks to come up with the product required. I have been quite concerned about it. I have been doing what I could do perhaps to increase those requirements so as to offer a measure of relief to those companies who found them-

selves in the predicament of supplies for which they now have no particular use. I have not been very successful in that line. I am continuing in it. Again a purely personal thought, and perhaps off the record, too, because of the fact that I couldn't back it up, I am of the opinion that possibly we will be able to go out for another million barrels or two million barrels of 100-octane before too much time elapses. If we delay two or three months, it will be worse than not going out at all, because <sup>by</sup> that time you will have made what conversions you can make and it will be water over the dam. But if we can come out in the next few weeks with something like that, then it will offer a measure of relief to us. If we can't, then I hope it doesn't come about at all.

That is the only explanation I can give you, sir, I won't say that it is the complete explanation because I am not in a position to know, but from my books and from my standpoint, it is like the Chinaman, "no ticket, no washee." We just didn't get the money and that is all there is to it. We screamed and--I won't bore you with the details. But it took a long time to get even what we got because of the uncertainty of what was going to happen. Basically you can always come back to the fact that the military appropriation is something that they do not exercise complete control over themselves. In other words, it is given to them and maybe they didn't get quite what they asked for. That I don't know.



CHAIRMAN HALLANAN: Gentlemen, a few months ago this Council was asked to constitute a committee and promulgate its recommendations and suggestions as to procedure for government-industry cooperation in the event there should arise another national emergency. This request came to me at a time when war clouds were hanging more heavily than they are even now, and I regarded it as one of the most important assignments that the Council had been asked to cover. I was very anxious to constitute as that committee some of the men who had had important experience in Government-industry cooperation during World War II. Fortunately, I persuaded Mr. Brewster Jennings to accept the Chairmanship of this committee. They have given you a report embracing recommendations as to what would be a feasible plan of government-industry cooperation in the event of another emergency. This committee report has been sent to you. You have had opportunity to examine it. Personally, I think it is an outstanding document. I am very proud of what the committee has done. There have been perhaps some suggestions and some changes which have been considered by the committee here today. Mr. Jennings, I would like now to call upon you to present the report of the committee on national emergency.

MR. JENNINGS: Mr. Chairman, do you think I should read the whole report?

MR. JONES: I offer the same motion I made this

That doesn't make it any easier. I appreciate that, but it may be an explanation.

DR. WILSON: You are quite conscious of the fact that if the Army does want to stockpile, now is a good time to do it. We hope that you don't let this time go by and then come in the next time we are short and want to stockpile in a great hurry.

COLONEL COTULLA: May I say just one more word: We are quite well aware in the agency of the fact that our success or failure in securing product is largely dependent upon the degree of confidence we are able to establish and maintain in your mind and the minds of the rest of you as to the validity of the requirements. It unravels a lot of work that we have been trying to accomplish to have something like this come up. We appreciate it, and I assure you that we will not let it happen if there is any way that we can possibly prevent it. We had it, and there wasn't anything we could do except just to say, "I am sorry, our previous estimates of requirements proved to be slightly incorrect."

CHAIRMAN HALLANAN: Thank you, Colonel. Any questions for Colonel Cotulla?

COLONEL COTULLA: I would be very happy to discuss any phase of it here.

CHAIRMAN HALLANAN: Thank you very much, Colonel.

(Colonel Cotulla left the room.)

morning, Mr. Chairman, with reference to reading the whole report. We have had copies of it.

CHAIRMAN HALLANAN: Will you repeat the motion?

MR. JONES: I move that we dispense with the reading of the entire report and that the Chairman of the Committee briefly explain to us any changes that have been made in the report since it was distributed.

CHAIRMAN HALLANAN: You have heard the motion.

(The motion was regularly seconded and was put to a vote and carried.)

MR. JENNINGS: If it is agreeable I would like to wait until the copies are distributed because I think the only way clearly to explain the changes is to have somebody look at the text.

I might say in connection with these changes that the suggestions came in rather late. Some were received day before yesterday, some yesterday, and a few more this morning. I feel that all the suggestions were helpful and constructive. I don't consider that they are particularly fundamental, but I think they all clarify the report and better express the intent that we had in mind.

COLONEL DRAKE: Are all the changes embodied in this?

MR. JENNINGS: I will have to give them to you. That is why I suggested that you follow the text. I will give you the pages as I go through them and tell you what we changed

and why we changed it.

MR. HILL: What he meant was, does this last thing that we received include the changes.

MR. JENNINGS: They do not include the changes. What you have received is the original draft.

In giving you these changes, I hope you will accept it as the committee's recommendation that they be adopted and that the report be accepted with the modifications.

The first change occurs on page 2 in the fourth paragraph. It is in the section where we are discussing the need of permitting people to serve the government without severing their relationships with their previous employers. It was felt that from the legal point of view it would be better expressed if in the next to the last line the words "matters directly affecting" were deleted, and there were substituted the words "direct dealings with." The sentence would then read: "That such individuals should not be required or permitted to act for government in direct dealings with their prior industrial employers."

The next change is on page 3, the first paragraph of the section on "Armed Services."

In order to give the petroleum administrator's office a little more information, it has been suggested that the word "requirements" in the second line be deleted and there be substituted the words "inventory positions and consumption

requirements." The sentence would then read: "The services should keep the petroleum administration for war fully advised as to their inventory positions and consumption requirements for oil over as long a future period as may be practical."

The next change is on page 4, in paragraph under the heading "Transportation." In the third line it now reads, "Are so highly specialized and of a character." We want to insert after the word "and" the following: "With the exception of tank cars." The sentence, or that portion of the sentence, will now read: "Therefore petroleum transportation facilities are so highly specialized and with the exception of tank cars of a character little used," and so forth.

The reason for that change is, while it is quite true that tank trucks, pipelines and barges are very largely used in petroleum service and rather little used in other services, in the case of tank cars there is a substantial use of tank cars in other industries.

The first full paragraph on page 5, which deals with the allocation of tankers by the War Shipping Administration. It is suggested that after the words "transportation of oil" in the second line we add the words, "other than for the armed services."

The sentence will now read: "Such tankers as are made available by the War Shipping Administration for the transportation of oil, other than for the armed services, should

be allocated by the petroleum administration for war," and so forth. The reason for that change, I think, is quite obvious. It is inevitable that the shipping agency will have to allocate some tankers for the use of the armed services, and it would be entirely inappropriate that PAW should be allocating those ships.

In the second paragraph under the heading "Inland Transportation," we want to delete entirely the first sentence of that paragraph. In the next sentence, the third and fourth words. The paragraph would then read: Because of the need for coordinating the four methods, it becomes imperative," and so forth. That is on the same page, page 5, the second paragraph under the heading "Inland Transportation." Delete the first sentence and delete the third and fourth words of the next sentence.

The committee felt in that connection that the statement that the bulk of the transportation is either owned or controlled by the oil industry was not relevant to the subject and that it was better to delete that thought altogether.

Still on page 5, the paragraph under the heading "Barges and Inland Water Transportation," the second line, delete the words "used in," and substitute the words, "made available for." The purpose of that change is to make it clear that the determination of the use to which the transportation is to be put in the sense of whether a given transportation facility is

to be used for oil or chemicals or vegetable oil would be made by the transportation agency and not by the petroleum agency.

On that same page there is a section at the bottom of the page under the heading "Railroad Tankcars." We want to delete that section as it is. It is just one paragraph. And we want to substitute for it this. I don't know whether you can take this down as I read it. I will try to read it slowly. It is not very many words.

"The assignment of the tank cars as between industries, the routes of movement, maximum utilization and maintenance should rest with the transportation agency."

COLONEL DRAKE: Still keeping the same heading, "Railroad Tank Cars"?

MR. JENNINGS: Yes. We delete what is under that and substitute what I am reading for you. There is one more sentence: "The determination of the use of the cars assigned to the petroleum industry should rest with the petroleum administration for war."

The purpose of that change is primarily to spell out more clearly the relationship between PAW and ODT.

On page 6, under the heading, "Tank Trucks," we want to insert the word "petroleum" after the word "of" in the first line, so it will read the ownership of petroleum tank trucks is divided between the petroleum industry and common and contract

carriers. The purpose of that is to avoid any implication that we want to have PAW take any jurisdiction over a milk truck or a truck normally used in some other service.

The next sentence, "other bulk liquids," in the third line and the first word in the fourth line, we want to delete the words "such as tank cars and tank trucks," as we don't feel that those words are necessary to the context in any way, and singling out tank cars and tank trucks and not mentioning barges and pipelines might be somewhat controversial.

On page 8 there is a heading in the middle of the page that reads "international responsibilities of petroleum administration for war and the Petroleum Industry War Council."

The subsequent paragraphs deal with the responsibility in connection with the conduct of the oil industry abroad and describe the functioning served in the last war by the foreign operations committee. The foreign operations committee was a creation of the PAW, the Petroleum Administrator's Office, and not of the Council. We think it is inappropriate to have the War Council mentioned in that connection. On the other hand, the Foreign Operations Committee was appointed from industry and was really an industry body. So we would like to delete the last two words in that heading, in other words, cut out the words "war council."

The last change I have to give you, gentlemen, is in respect to the paragraph at the bottom of that page, page 8.



It is to delete the last two words on the page, "with committee," and on the next page, page 9, delete the word "established" in the second line and insert after the word "along" the word "national." That particular sentence will now read: "In the event of another emergency, it is recommended that an industry organization be reactivated along the lines obtaining toward the end of World War II, representative of all areas and segments of the industry, both large and small, along national, district, zone and area lines, paralleling the petroleum administration for war organization."

The purpose of that change - the matter was brought to our attention by Mr. Rankin Peak. It is possible to construe the language as it originally was so that the representative character of this organization would apply only to the committees and not to the main body. It is important to emphasize that whatever organization does exist must be completely representative all along the line. We felt that that change would make that completely clear.

I apologize for bringing so many changes to your attention, but I feel I couldn't help myself.

It is suggested I might describe briefly some of the thinking and effort that went into the preparation of this report. I think we had three formal meetings of the committee and several meetings of small groups of the committee. In addition to the members of the committee, we received very

helpful advice from a good many others. Mr. Max Ball sat with us all through the meeting in Chicago, which was quite a long session, and gave us a great many good suggestions.

Mr. Chandler Ide was good enough to write me a four or five page letter giving me criticisms of our first draft and a lot of constructive suggestions. A great deal of study went into this thing, and whatever it is, there it is. I can't add very much to it.

I will be glad to try to answer any questions that any of you gentlemen want to raise. I would like to present this report and move its adoption.

MR. PECK: I would like to ask a question. This will be a little surprise to you. I would like to say that Mr. Jennings and his committee discussed this with me and were very kind. I think the report is a splendid report. There were some changes made that I thought at the time would take care of this, but as I read the report through, the industry participation as indicated on page 8 refers to an area committee rather than the main body or what would be substituted for the petroleum administration for war of the last war. I have from our organization a directive by resolution that the national petroleum congress participate in all bodies where industry is brought in to participate in promulgating rules and regulations that affect them in their operation. I had a proposal here that I submitted to the Secretary, and if the

record would clearly show that this section refers to the main body, that would probably cover my proposal. In other words, in reading the report, I am impressed with the thought that the paragraph covering industry participation refers to another committee, other than the directing committee.

DR. WILSON: You have the word "national" in there.

MR. MAJEWSKI: National, with a comma after the word.

MR. PECK: If the committee is willing to go on record that that means the main body, I am perfectly satisfied.

MR. BALL: Mr. Chairman, if I may, I think as the wording is now modified, it clearly covers not only the main body, the equivalent of the Petroleum Industry War Council, but covers all committees thereof, all appropriate committees thereof.

MR. PECK: Would the Chairman of this committee state for the record that that is an understanding on his part?

MR. JENNINGS: It is my understanding of this language that it covers the point you have in mind, Mr. Peck.

MR. PECK: Thank you. That is all I want.

CHAIRMAN HALLANAN: Is there any other question?

MR. DUKE: Under transportation in the second line, on page 4, what is wrong with the way it reads? The word "because" or "therefore" doesn't belong there.

MR. JENNINGS: "Because, therefore," you mean?

DR. WILSON: It seems to me that "therefore" is

rather unnecessary.

COLONEL DRAKE: Why don't you just eliminate it? It doesn't add anything.

MR. JENNINGS: I think that can be deleted.

MR. MAJEWSKI: And the comma with it. (Laughter)

CHAIRMAN HALLANAN: The Chairman agrees that doesn't add anything to it, and we will have that deleted, Mr. Duke, at your suggestion.

Mr. Dow?

MR. DOW: I would like to add a word of information which might be of interest to the Council in this connection. About ten days ago Colonel Johnson, of ODT, asked me to come over to see him, and I did. He said that the NSRB had asked him to be chairman of an over-all committee dealing with transportation in the relationships that we are discussing here, namely, planning for another national emergency. He said that committee would be composed of the chairman and the secretary of a group of committees, each dealing with a particular phase of transportation. He wanted me to recommend the names for a chairman and secretary for pipelines. I gave him four names: Bruce <sup>Clardy</sup> Hardey, Bill <sup>Rinsolving</sup> ~~Connel~~, Ralph <sup>McLaughlin</sup> ~~McLaughlin~~, and Ted Swigart. I suggested for secretary Bob Shields. Subsequently Colonel Johnson got in touch with Bruce <sup>Clardy</sup> Hardey, and Bruce accepted chairmanship of a committee which is working in that capacity. He is in the process of forming the committee at the present

time. I don't know what they will come up with, but these men that I recommended were all <sup>active</sup> important factors in PAW during the war, and whatever Bruce <sup>Clarke's</sup> Hardey's committee comes up with will certainly be of public interest and of interest to pipeline transportation. ~~It is hard to keep one's mind on his main job. I am not a member of Bruce's committee.~~ I am

very much interested, as all of you know, in doing what I can to maintain the right of the oil industry to <sup>build,</sup> own and operate its transportation facilities, and in connection with pipelines

<sup>It</sup> that is my job <sup>to maintain that right.</sup> Mr. Jennings report deals with organization for a future national emergency. What we face in the not-too-distant future in peace

time is a surplus of transportation and we face a re-writing of the <sup>Interstate Commerce Act</sup> ~~transportation act.~~ At that time pressure will be definitely on private transportation. You can see it developing.

The railroads are pessimistic about their future. They are being forced into pricing themselves out of the market. And I anticipate some pressures on private transportation and some efforts to add to the regulations that we have today.

I don't know whether any of the men who are dealing with this subject from the long emergency viewpoint will be involved in the nearer problems of the <sup>revision</sup> ~~provisions~~ of the <sup>Interstate Commerce Act</sup> ~~transportation act~~, but I hope if they are this situation will be kept in mind, because I consider it of far greater importance to the industry than the blue-printing of a plan for another war emergency.

CHAIRMAN HALLANAN: Before proceeding to the motion, I would like to invite Mr. Friedman to make any comment that he desires on the pending report.

MR. FRIEDMAN: I would like to express my thanks to Mr. Jennings for a very excellent report, and also to his committee. I have been over it fairly carefully and I suppose the reason I am in complete agreement with it is that I had some of the same experience during the war that the men who worked on this report had. The report reflects the rather hard-won solutions and some refinements and new suggestions that were worked out painstakingly over years of actual war experience. The last couple of years of the war, as you know, saw PAW, an agency of which we were all very proud. When the Secretary said this morning that he was very glad to have your ideas on the proper blueprint for an emergency organization, among other things he had in mind was Colonel Johnson's pipeline committee and the proposed Office of War Transport. There are movements in Washington planning other phases of a war organization which do not entirely agree with our idea of what the wartime petroleum organization should be. There is a delusive simplicity of saying all transportation, be it pipeline, tank truck, tank car, or whatever, should be in one agency, it is transportation, and therefore the blueprint would show it in the war transport agency.

As a matter of fact, it is my understanding that the present proposal is to put pipelines in the complete control of the War Transportation agency. I think that would be a fatal mistake. If there was ever a plant facility, it is pipeline.

It seems to me that the war transport agency should merely be a service agency handling scrambled forms of transportation such as railroads and possibly inland waterways.

This report will be very valuable to us as evidence of the way that industry believes an organization should be established and will enable us to go into the discussions with Colonel Johnson and other members of the National Security Resources Board with a good deal more ammunition for a practical solution than we would have had without it.

MR. JENNINGS: I would like to add, Mr. Chairman, if I may, in connection with the activities of the National Security Resources Board, that we sent them a copy of this report ourselves. I think it was the identical draft that you were presented here today. I suppose that was at least six weeks ago, and we have had no comment one way or the other on it.

CHAIRMAN HALLANAN: I was going to ask Colonel Vogel, who is here from the National Security Resources Board, whether or not he would care to comment on the report. Colonel Vogel, do you have any desire to comment on the report?

COLONEL VOGEL: Draft copies of the report were received and it is being considered in conjunction with the discussions going on in NSRB, but until they were finalized here they were taking no definite action and did not desire to offer any comments back.

MR. MAJEWSKI: Mr. Chairman, in view of what was just said by Mr. Dow and Mr. Vogel, I think Mr. Clarity ought to get a copy of this report so he knows what his industry is thinking in this direction as represented by this Council.

DR. WILSON: Majewski may assume that he does. I would like to emphasize the importance of what the last two gentlemen have said. If you really want to make effective this blueprint, which I think is an excellent blueprint, it is one of the most important things to do. If any of your people are asked to serve on this pipeline committee or to do some work in connection with it, I hope you will speed them along the path as we have Mr. Clarity, because it is a very serious and important development, I believe, for the industry.

FROM THE FLOOR: On that change that was made on railroad tank cars, in the first sentence there is the assignment of tank cars as between industries. I understand that is as between the petroleum industries?

MR. JENNINGS: That is between petroleum or vegetable oil industries.

FROM THE FLOOR: I was wondering whether that should



be left up to a transportation agency. I question that part of it. The ODT assigns the cars as between the various industries. We ran into that trouble before on other types of cars.

MR. JENNINGS: Could I answer that question?

CHAIRMAN HALLANAN: Yes.

MR. JENNINGS: We discussed that point at some length, and I think it is not an exaggeration to say that there are a good many who would rather have PAW do all of this, but in real life I think we have to recognize that where a transportation agency is used for more than one industry, you must look to someone other than the representative of a particular industry to determine the overall use of the facilities between important jobs.

FROM THE FLOOR: That was my idea, whether a transportation agency could decide as to the relative need for cars as between industries.

MR. JENNINGS: I think that is the only place it can be done. We have the same problem in the War Shipping Administration. Of course, the bulk of the tankers were used for oil, but quite a lot of them were used for molasses and once in a while for vegetable oil.

MR. BRUCE K. BROWN: I am not proposing another amendment at all, but I think the way we mean it is as between petroleum and other industries.

MR. JENNINGS: That is what we mean.

MR. MAJEWSKI: You left that last paragraph in 5, you know, on page 6, which takes care of exactly the point the gentleman was referring to.

DR. WILSON: We presume PAW would be a sort of claim agency for it emphasizing the needs of the petroleum industry as vigorously as they could.

CHAIRMAN HALLANAN: The question is upon the adoption of the report submitted by Mr. Jennings' committee. All in favor indicate by saying "aye," opposed "no."

(The motion was unanimously carried.)

CHAIRMAN HALLANAN: Thank you, Mr. Jennings.

Mr. Bruce Brown, do you have a report from your committee, on the military petroleum advisory board?

MR. BRUCE K. BROWN: I have an informal report of some of our activities. We had until recently 17 members. It may be of some interest to note that 8 of them are also members of this council. We have expanded our membership. has been appointed by Secretary Krug as a consultant. M. Jake Hammond has been appointed, as you remember. He is a member of the Council. Earl Masson of Sinclair has been appointed. If I can ever catch a certain West Coast individual long enough, I will get him. I haven't got him yet so I won't mention his name. We expect to have 21 members in the Military Petroleum Advisory Board.

We will meet here at 9:30 tomorrow, and to those

members of the Board that are here I would like to say I think we can finish all right tomorrow afternoon.

I would like to call the attention of the Council to something I know they read, but it is pertinent to our work: The National Oil Policy Report, Section 5, on national security. One member of our board was a member of this committee, and I would like to say that so far as I am concerned, and I think I can speak for every member of the Board, Section 5, which starts on page 19, on national security and the national oil policy, is gospel as far as we are concerned, to the extent that we have been made more familiar with military requirements or any other military subject or security subject than the whole Council has, I just want to assure you that nothing we know would cause us to change our opinion from the opinions expressed by the Council. So I think we are all together.

But there is something else in this section 5 that must not be overlooked. It contains a couple of recommendations. There isn't anything this Council can do about them, but as oil men I want to be sure you are conscious of the fact that there are two important things in this section, recommendations or statements. One of them is that we need storage. One of the difficulties we know will be in that if we go to war, independent of any question of whether there is enough crude or jet fuel or refining facilities. We know we are going to be in trouble by not having enough storage for

petroleum. Our military board has said so. Now the Council is saying so. It isn't perhaps enough to say so. The way we feel about it, the way our military people feel about it, the storage problem we are talking about, at least the first bite ought to be taken by the military themselves. They know that and they didn't disagree with us. One of the places that we are weak from the standpoint of national security that is brought out here is that we do need storage.

The other thing that is brought out here that I would like to emphasize again just so you won't forget it, and probably the next real disability we would have in going to war, and again regardless of the question of crude supply or refining capacity or anything else, is that we don't have enough refining facilities to produce the alcoholate necessary to produce the aviation gasoline they want to use of the higher quality that is now used in the modern planes. We are specifically weak in those two points.

There is one more thing I would like to say to the Council. It is apropos perhaps of the general change in the supply situation that has been mentioned here several times and a lot of other places, too. We know that the supply situation is easier, but there are still people in this country who are talking about the horrors of going to war again with a short supply of petroleum because we would have two million barrels a day less than we needed. I have talked about it

before and maybe you are tired of hearing me, but the reason I am talking about it again is that perhaps you can do a little lobbying with people in the general public, men in government, to tell them that that just ain't so. We are short. I am not at liberty to tell you how much. But there are this two million barrels a day shortage, I can say, and I will repeat, is a shortage which would develop in the first year of the war, and on the most unfavorable assumptions that you can dream up. It is based not on the military committee's estimate of crude availability, which is lower than the API, but on preceding estimates of crude availability which is now quite unrealistic.

The shortage that we would get into in the event of war isn't anything to belittle. It is something to worry about. It is due mostly to the greater consumption of jet planes as compared with other planes. But let us see if we can't all work to eradicate this two million barrels a day figure from being thrown around all the time as a sample of what we are talking about, because it isn't two million barrels a day.

For instance, in the first year of a war, if we apply any common sense at all to our operations, we wouldn't have any shortage at all. A lot of people don't know that. This shortage comes when you get full mobilization and when you get enormous jet propelled fleets. So don't let them feed

this two million barrels a day back to the industry, and don't pass it out yourself. Say, "Yes, we might have a shortage, but let's get rid of that figure, because it is very unrealistic."

MR. JACOBSEN: Unfortunately it came from a fairly strong source. It was Secretary Forrester who said it.

MR. BRUCE K. BROWN: That is right, sir.

MR. JACOBSEN: He was playing by ear when he said it.

MR. BRUCE K. BROWN: He was working on some figures that are now two years old. But it gets repeated. Every time anybody writes or talks, they use it. It is just a bad number to use.

MR. HARDEY: That was in the mind of the military Affairs Committee in a hearing I appeared on. The direct question was asked me where would we get the two million barrels a day we would need in case of war. I told the Chairman of the Committee it was the simplest question he could ask me, that he would get it exactly where he got it in the last war, that we would get it out of the ground, and cut out the rolling of a lot of jalopies.

MR. JACOBSEN: I think Mr. Bruce Brown is entirely right, because I have talked to a lot of people, and the understanding they have is that if we go to war on Monday of next week, we will be short two million barrels a day on Monday morning.

MR. BRUCE K. BROWN: That is right.

CHAIRMAN HALLANAN: What do you suggest, Mr. Brown?

MR. BRUCE K. BROWN: Don't let anybody tell you that.

MR. RUSSELL B. BROWN: What do you tel them?

MR. BRUCE K. BROWN: Tell them no. It is not the truth. I told you all I dared when I said there isn't any shortage the first year and when I told you what we need worst of all for military preparedness is storage tanks to put the products in that we could save if we had a place to put them. I have told you that two million barrel a day figure was based on three estimates back of crude availability, and the worst possible state of strategic assumptions that anybody could dream up.

MR. RUSSELL B. BROWN: I don't understand by that that you mean we shouldn't have any reserve? What you mean is not any fixed idea.

MR. BRUCE K. BROWN: Don't let that two million barrels a day be used. If you can't say anything else, say you were told that that is not true.

CHAIRMAN HALLANAN: That doesn't give the answer to it.

MR. RUSSELL B. BROWN: No. I am trying to get an answer.

MR. BRUCE K. BROWN: Late in the war, if they build an air force as big as the World War II air force, all built out of jet planes, except a few transports, jet planes use five

times as much as the other type. We used 500,000 barrels in the last year. So we use two million and a half barrels of fuel a day when we get those planes all running. It is on that basis plus the assumption that we get licked nearly everywhere that we are going to be two million barrels a day short.

MR. RUSSELL B. BROWN: What bothers me is if we get into war today, probably we have enough for our industrial activities, which are running fine today. The minute you get into war everything is stepped up. That doesn't mean that you need this oil for shooting business, for planes, but you need it to build yourself, to build the materials that will build the things that make--

DR. WILSON: It doesn't take much gasoline for that, though.

MR. RUSSELL B. BROWN: I am talking about oil.

MR. BRUCE K. BROWN: We have done the best we could on estimates. Again it is the same people who figured it out in World War II, Stuart Coleman and some of his associates. We have done the best job of extrapolation we could to include the increased use of Diesel fuel by railroads; increased number of motor vehicles; we have tried to get as realistic a valuation of essential civilian demand as we could.

Incidentally, our figures, our studies, are ~~more~~ more severe than the ones we assume in the first ~~reports~~.

MR. RUSSELL B. BROWN: May I ask you, I am trying to



get this clear because it comes to me so often, what you are talking about now is above ground reserves. Are you trying to say that we don't need any excess capacity to produce? I want to get that clear.

MR. BRUCE K. BROWN: I haven't been talking about reserves at all.

MR. RUSSELL B. BROWN: That is what I thought.

MR. BRUCE K. BROWN: Let's go back to what the other fellow said. He said we would need two million barrels a day more petroleum than we had in sight, or could produce today in the event we got into a major war. He was taking into account civilian use and military use. It didn't have anything to do with reserves except that blind-and-full-of-faith assumption that we can keep on producing at the rate that we are producing now plus a reasonable increase.

MR. RUSSELL B. BROWN: The interpretation I put on that, not trying to argue, but to get myself clear, was that what he wanted was two million barrels of oil available, produceable oil, not necessarily in storage above ground. I didn't interpret it that way.

MR. BRUCE K. BROWN: Two million barrels a day.

MR. RUSSELL B. BROWN: That is what I am talking about, produceable. That would mean in the ground.

MR. BRUCE K. BROWN: I think he did mean that. Please don't misunderstand me. I am not arguing against the desira-

purchases of light and fast planes, and pursuit planes, and increase their B-36 purchases. Wasn't that right?

DR. WILSON: It was the bombers, I think.

MR. BRUCE K. BROWN: They weren't changing one bomber to another. What they were doing was concentrating their funds on long-range bombers. The significance wasn't a shift from jet to internal combustion engines. They simply wanted to get some more bombers.

DR. WILSON: But they did cancel a lot of short-range bombers and replaced them with long-range bombers using compression engines, as I read the article.

CHAIRMAN HALLANAN: I think, Mr. Brown, this has brought to a head here a very important matter. I am very happy that you brought it to the attention of the Council so it might take us some step at least to offset that erroneous impression about the two million barrels, because it has taken root. We ran into it everywhere.

*Chairman Hallanan:*  
Mr. Russell Brown, are you now ready to present the report of the committee on Petroleum Industry Steel Requirements?

MR. RUSSELL B. BROWN: Mr. Chairman, the Steel Committee doesn't have a report as such. After the Council enlarged the scope of our responsibilities, we had hoped to have a meeting with the steel task force, I believe they call it, or task committee, for the purpose of exploring our possible situation with relation to steel. We were promised that meeting some

bility of that. I am merely saying, Mr. Jacobsen said it better there in a sentence than I said in ten minutes, that it isn't so, that when we go to war on Monday immediately we have to have two million barrels a day more fuel than we know where to get. It isn't so at all.

MR. RUSSELL B. BROWN: I quite agree with that.

MR. BRUCE K. BROWN: It isn't so for years.

DR. WILSON: And further, if we could get the military to build this storage so we could start rationing the first day of war and take care of some of the surplus we don't need for war purposes and take it away from civilians, it will postpone the day of shortage that much longer. The one thing the military should do and can do is to build a lot of storage for use in the event of war to be filled up from rationing in the early days of war when you don't need it for other purposes.

I don't know whether Mr. Brown will feel free to comment or not, but I would judge from the newspaper recently every cancelling of a lot of orders for jet bombers and replacement with bombers that will use high octane compression engines, regular engines using high octane gasoline, that possibly the shift to excessive consumption of jet fuel with its attendant range-reducing disadvantage, may be stemmed.

MR. BRUCE K. BROWN: I would like to have anybody here correct me, but I think, Bob, you misread the article. I think what it said was that they were going to reduce their

three or four weeks ago - I believe it was Mr. Friedman - and ~~then~~ that was cancelled ~~on us~~, so we didn't get the meeting. As a matter of fact, we never got the meeting until yesterday afternoon after four o'clock. With that in mind, we felt as a committee that there were certain questions that we must answer that would require more time than we had and therefore we would informally report to you what we did yesterday and later on we hope to be able to make a more complete report on the new assignment of responsibilities which the Council has given us.

The committee met January 12 to consider its enlarged assignment pursuant to the request from the Secretary of the Interior to study the problems of shortages, exportation, and maldistribution of steel materials in so far as they relate to petroleum and to report thereon with such recommendations as to the Council may deem appropriate.

After a general discussion of the supply and distribution conditions as to materials in each branch of the industry, a selected group from the committee conferred with representatives of the steel industry and officials from the Department of Commerce and the Department of the Interior. This conference had been arranged by the Department of Commerce to explore the possibilities of improving the supply situation as to tubular goods, including both oil country goods and line pipe. The results of a recent survey by the Commerce Department

between majors and independents, 40 per cent going to independents and 60 per cent to majors.

There was last year used in this country 1,500,000 tons, substantially. So the survey we had covered 275,000 tons, or about 18 per cent of the total used, or about half of the steel that normally goes to the independents. Our questionnaire didn't go to the majors. Only to our members. We got back, as you will see from this large chart, usable reports from 249 operators, which showed that during 1949 they received 92 per cent of their supplies through regular sources, which are the distributing companies and directly with the mill. Eight per cent of their pipe used was through second-hand. In 1948 <sup>the situation</sup> that had been changed until they received only 61 per cent through the regular sources, 12 per cent from the gray market, 11 per cent from second-hand pipe, 9 per cent from conversion, and 7 per cent from tie-in sales. Tie-in sales are where they give up the call on their oil for steel and such as that.

Then we broke that down a little further and took of the 249 operators, we broke it into four sections. 104 operators used 200 tons or less a year, 96 operators used 201 to 1,000 tons, 39 operators used 1,000 to 5,000 tons, and 10 operators used 5,000 and over tons.

Of the 104 operators using 200 tons or less, in 1948 they received only 42 per cent of their steel requirements

much as we have been, we still believe that everything we have asked for <sup>in our steel requirements</sup> should be given to us and that during that time, as a continuous part of our program, we should ~~continue to~~ <sup>our</sup> re-survey and bring up to date ~~the~~ <sup>our</sup> factual material ~~about it~~.

I hope that Mr. Krug and the division will not get the impression, <sup>particularly since</sup> ~~and~~ Mr. Friedman has been so earnest <sup>with</sup> ~~in~~ this <sup>problem</sup> that as a council we are letting them down ~~on this problem~~. I can understand he felt that because there was some individual expression that "this thing is all right, we are getting all the steel we need, and why worry about it?" In that connection, since it was our association that requested this enlarged responsibility, I think we owe it to the Council to give to you what we gave to <sup>the</sup> ~~our~~ committee yesterday, which is a report of the information we have obtained on which we based that request. If at this time I may do that as a representative of the Independent Petroleum Association, I would like to do it. I have put it up in <sup>graph</sup> ~~chart~~ form.

In the middle of December, in order to be sure about the situation - we had heard so much complaint about the steel from the producers, in order to find out what was what, we sent out a questionnaire to our members. As a result of that questionnaire on January 5 we had received back several answers. As a matter of fact, according to the steel pipe manufacturing and distributing companies, the use of oil country goods was divided about 60-40. I think that is the division they make

were presented. This survey showed the following situation regarding the output of tubular goods. In oil country goods, that is, casing, tubing and drill pipe, the total 1948 production was 1,874,000 tons. The planned production for 1949 is 1,803,000 tons. The estimated capacity for production in 1949 is 1,845,000 tons. As to line pipe, the production in 1948 was 2,202,000 tons. The planned production for line pipe for 1949 is 2,553,000 tons. They have an estimated capacity for 1949 production of 2,675,000 tons.

The above figures cover integrated and non-integrated mills, including both members and non-members of the American steel Institute. In that connection we had been using figures figures given us by the American Iron and Steel Institute, which were somewhat lower than these, but this survey made by the Department of Commerce covered mills that didn't apparently report to that institute.

The figures, therefore, are greater than those reported by the members of the Institute. In addition, the figures include conversion pipe where ingots and blooms and tube rounds have been purchased and arrangements made for further processing into tubular goods. The representatives of the steel industry gave assurance that the above volumes of planned production could be made available in 1949 barring unforeseen circumstances.

The full committee reconvened and considered the

information obtained by the special group at the conference with the steel industry representatives. The planned output for tubular goods for 1949 was reviewed, and the committee unanimously agreed that this quantity of tubular goods which, in the case of oil country goods, is approximately equal to the requirements recently presented to the steel industry, ~~and~~ the Department of Commerce, <sup>and</sup> ~~plus~~ Secretary Krug, was required and could be effectively used by the petroleum industry in its 1949 operations. In this connection the committee recognized the vigorous and effective activities of the Interior Department in recent months in urging an increased supply of tubular goods for the petroleum industry.

In view of the new information obtained as to the supply of tubular goods and the committee's enlarged assignment, the committee recommends as a part of its continuing responsibility <sup>that</sup> it keep current the requirements presented in its report on March 16, 1948.

We heard the expression this morning of Secretary Krug that from his information the committee had apparently abandoned the idea of pursuing this question of improper distribution and the necessity of steel, and the general feeling that we had reached a point where the situation balanced.

~~I think~~ <sup>T</sup> that is not quite what the committee felt. I am quite sure that what the committee felt was that there has been some talk <sup>to the effect that while</sup> ~~of something~~. ~~While~~ we may not be pressed as



through normal sources, 20 per cent came from the gray market, 25 per cent came from the second-hand pipe, 1 per cent from conversion, and 12 per cent from tie-in sales.

The next larger group of the operators, but smaller in number, received 55 per cent through normal sources, 16 per cent from the gray market, 15 per cent from second-hand pipe, 4 per cent from conversion, and 10 per cent through tie-in sales.

Of the 39 companies using from 1,000 to 5,000 tons, they got 64 per cent through the normal market, 10 per cent through the gray market, 9 per cent through second-hand, six per cent through conversion, and 11 per cent from tie-in sales.

Of the 10 larger companies using 5,000 tons or over, they got 63 per cent through normal sources, 10 per cent through the gray market, 11 per cent second-hand pipe, 14 per cent conversion, and 2 per cent tie-in sales.

So you see the larger, the stronger group got a larger proportion through the normal market. They had to resort to the gray market for a smaller proportion, but were able to get a larger part through the conversion. As the size of the company went down, they had to resort more to second-hand pipe and the tie-in sales where in they gave up their market.

Mr. Chairman, we have made a copy of this survey and have submitted it to you and hope that you will study it

because it is a problem in which this committee as well as the entire industry is concerned. We as a committee hope to have an early meeting further to consider the responsibilities given to us on account of this enlarged assignment.

I want here to express our very deep appreciation for the vigorous way the Interior Department have tried to assist us in getting that steel. I hope they won't feel we are going to let them down. Thank you very much, Mr. Chairman.

CHAIRMAN HALLANAN: Thank you very much, Mr. Brown.

Mr. Clark, who is the Director of the Office of Industry Cooperation of the Department of Commerce, is here. Would you care to comment on Mr. Brown's report?

MR. CLARK: I am Mr. Clark, Mr. Chairman. I find it difficult to hear back here, and I am not sure I understood the question.

CHAIRMAN HALLANAN: I invited any comment you might care to make in connection with Mr. Brown's statement on the steel situation.

MR. CLARK: With respect to the distribution pattern?

CHAIRMAN HALLANAN: The general subject covered by him.

MR. CLARK: I might say we have worked with Mr. Brown and the committee and with the steel people in this problem. We met yesterday to go over it in some detail. We are grateful for the presentation which the oil committee made. We are

still pursuing the subject and working with the Department of the Interior to determine whether or not voluntary agreement in this area is necessary. I might say those deliberations are open. We have not closed our minds at all and are working with these people.

I have one point which I think should be made here at this time, and that is that our criteria for entering into voluntary agreements seemed to relate themselves directly to the oil country goods, mainly these three. Where there is a rather sharp upturn in the supply of the commodity for a given industry, second where the supply is either near or approaching the demand, and third, where the industry producing the commodity takes the position forcefully that it is not going to reduce the commodity to this industry. When those three things occur, usually we try to handle it without a formal agreement. The oil country goods presentation of yesterday seemed to fall in that category. I believe there was general agreement that the steel industry had done quite a good job in sharply moving upward of the supply of steel. Second, the balance is near or at least approaching. I believe Mr. Hahn had some figures there which were presented yesterday. He is with my Department. Third, the steel industry made the statement clearly yesterday that they had no intention of diminishing the steel products to this industry, but every intent of continuing them, and it was increasing. So when you

have those three criteria, the question is raised in our mind as to whether a voluntary agreement in that particular area is or is not needed. We don't believe in government controls except where the controls are necessary for the industry.

I don't want you to interpret these remarks as meaning that the Department of Commerce has taken a final position in this matter. I simply wanted to point out those items. We are prepared to continue our deliberations with Commissioner Brown and with the gentlemen here from the Department of the Interior. I don't want to talk too much, Mr. Chairman. You have been kind to allow me to speak this far.

With respect to distribution, I think that that is an excellent chart and no doubt is based upon excellent criteria. There is one question that we do want to inquire a bit about, and that is that that represents, I think, about 249 out of some 8,000 independent oil people. I think we would need to study just a bit whether that is sufficiently representative of the actual story. That condition is deplorable where the prices are shoved up by that method and the gray market. We certainly would join with you in deploring that situation. I think it is not particularly common to this industry, however. I think you will find it true of a great many others. It is a deplorable situation. Unfortunately our law does not permit us to get into the price end of the thing. We are prohibited by law from getting into it.

I want to conclude by stating that we have made no decision, and we will work with you. I think about half of our agreements are with the department of the Interior. We have cooperated very well together.

CHAIRMAN HALLANAN: Thank you, Mr. Clark.

Mr. Hahn, do you have anything to add to what Mr. Clark has stated?

MR. HAHN: I think Mr. Clark has stated it very well.

MR. FRIEDMAN: I would like to ask Mr. Clark a question in order to relieve my own mind. I discussed the matter with Mr. Hahn this morning as to his views as to what had happened at the meeting yesterday, and the decisions that were reached, in order that I might be able to report with a fair degree of accuracy to the Secretary. As I understand it, it is the Office of Industry Cooperation's understanding and it was that of the steel industry that no further action would be taken in this matter until a new survey had been made of oil industry needs. I would be very regretful if that were so. I don't think there is time to do that and enter into an agreement before the law expires. Could you enlighten me on that, Mr. Clark?

MR. CLARK: I don't know that I could state with any firmness at this point my recollection on that, but I think it is substantially correct. The figures indicated that the differential between maximum capacity and output was

something like 122,000 tons. That is line pipe. I believe also that we agreed that the committee would continue to work to see whether or not we could get the production up from that 122,000 tons of line pipe so that we could increase that and bring it up to the maximum capacity. There was some question, I think, about the 3,700,000 figure. That figure, I believe, is a figure of the Department of the Interior, and is not a figure of the Department of Commerce. At this time we do not wish to question that question, but I believe it was the expression yesterday of the oil people and the steel people that possibly another look-see at that picture would be necessary in order to determine just where we stand as of today. I think we would like to look at that figure a bit further now, that 3,700,000. I would say, however, that the 122,000 differential leaves us something really to stick our teeth in and see whether we can bring that up to make that tonnage available to the steel industry. I want to assure you that the Department of Commerce will work with you completely in an effort to try to get that done.

Do you have any other question, Mr. Friedman, along this line?

MR. FRIEDMAN: No, I don't. The only other question of course was the one we discussed yesterday, as to whether the steel industry would be willing to enter into an agreement to do what they hoped to be able to do, and I gathered that

that was extremely doubtful.

MR. CLARK: I think the steel industry, sir, took no position on that, no official position. We were not ready to make recommendations on an agreement at this particular meeting, which was exploratory. I believe the steel industry took no position one way or another on this. I have stated to you some of the criteria that I think are necessary for an agreement. I think possibly top policy-wise we might want to review that further, and I don't want to speak for the Secretary of Commerce on that point, but it would appear that in oil country goods from the figures we have, if it can be shown to the contrary, we would be perfectly willing to have it shown - that we are moving very near or will be soon, a pretty good balance in that, and if the industry tells you they are going to continue, then it seems to me you would want to question a voluntary agreement. I will say that at any time the industry does not live up to that understanding and you begin to go down again under that, I would certainly want you to come over and present that problem because we never close the door on an agreement.

MR. HILL: Mr. Chairman, I have listened with great interest to the discussion concerning oil country tubular goods. I have listened carefully and have not heard any discussion with reference to the maldistribution or the equitable distribution or otherwise, with reference to line

pipe. I presume that Mr. Friedman and Mr. Clark have some notion about what has been occurring there and also the methods by which a voluntary agreement or otherwise, that Impenetrable barrier, could be penetrated. I would like to hear some discussion as to what you have learned factually with regard to that and what Ideas you have about its solution.

MR. FRIEDMAN: The position that we have taken, Mr. Hill, all the way through after we had the report from the National Petroleum Council as to your requirement, your requirements for line pipe being considerably above the capacity of the industry to produce, was that we should get an agreement from the steel industry to supply steel to all fabricators of usable line pipe to the full extent of their capacity. The Department of Commerce has made a survey of capacity and of production. They have found production to be far higher than had been expected, and they have also found that plans for next year for production of line pipe come within about 10 per cent of maximum capacity. I think maximum capacity is in the range of 2,400,000 tons a year and the anticipated production will be 2,280,000. It is in that range in any event. However, in as much as the approach to capacity is so close, and as Mr. Clark has pointed out, an agreement would do nothing, at least in the view of OIC and the steel industry except to assure performance of what they have already undertaken to do, that there is no occasion for



a voluntary agreement on the subject.

Frankly, we don't feel that way. As the Secretary stated this morning, if this is going to be done, one should be willing to agree to do it, and it provides assurance to the petroleum industry that no other programs will interfere with the accomplishment of the line pipe program.

MR. HILL: BOB, you missed my point, I am afraid. Did you find out how much, if any, of that would be available to the petroleum industry this side of 1954?

MR. FRIEDMAN: All of it, as I understand, George, is for the petroleum and natural gas industries, but it will be distributed according to contract.

MR. HILL: Now you are getting down to what I am talking about.

MR. FRIEDMAN: I think that is what you asked. A good deal of it, although a fairly small proportion as I understand, of the total, is, of course, conversion pipe. That is true of some of the large mills, but of the integrated mills very little is conversion. It is distributed on a historical pattern to established customers, on a regular contractual relationship basis.

MR. HILL: Did you find what that percentage was?

MR. FRIEDMAN: I think the steel industry, and I wish Mr. Clark or Mr. Hahn would correct me, said they thought the conversion factor was about 10 per cent of the total pipe

production.

MR. CLARK: That is right.

MR. HILL: How much of it is available to new and developing industry requirements? How much of it is contracted in total quantity up to 1954? In other words, how much of it is free of contract commitments this side of 1954?

MR. FRIEDMAN: So far as I know, not a ton.

MR. HILL: We are getting into something in which I am interested.

MR. FRIEDMAN: Mr. Brown or Mr. Clark may be able to answer that more accurately than I, but I understand most of the mills are fairly well committed for some time to come.

MR. RUSSELL B. BROWN: I have no figures on that. My understanding is that it is committed, but that isn't based on a survey. So I don't know.

DR. WILSON: One question I have with regard to those figures that might be slightly misleading if we didn't thoroughly understand it. Maybe Mr. Brown can answer it. The big reason the operators using 200 tons or less have a low percentage from regular suppliers is that they have a high percentage of second-hand pipe. If you look up above you will see that the percentage of second-hand pipe was about the same. It only went up from 8 to 11 per cent between 1941 and 1948. Isn't it probable that those small users who are probably mostly those drilling shallow wells always have used a large

proportion of second-hand pipe historically. In other words, that that 25 per cent isn't particularly abnormal for that group.

MR. RUSSELL B. BROWN: I think it wasn't true in their survey. It wasn't reflected in the survey we had. As a matter of fact, it showed the other. Have you any opinion on that, Mr. Jameson?

MR. JAMESON: We didn't break the figures down for 1941, Mr. Wilson, but in the report, the details show that the 8 per cent in 1941 applied pretty much across the board regardless of size.

MR. HILL: I would like to say the question we were on was not the question of tubular goods used in oil country operations. It was the line pipe question that I wanted Mr. Brown and Mr. Clark to discuss.

MR. ROWAN: I want to discuss tubular goods and George wants to discuss line pipe. I don't want to interfere with your discussion.

MR. HILL: I merely wanted to have Mr. Brown to have the opportunity to address himself to that.

MR. RUSSELL BROWN: The committee as such, Mr. Chairman, has not made a survey of the condition as to the commitments for future delivery of pipe. We have only concerned ourselves with the requirements up to date, and we have not yet had an opportunity to go into this question. I don't

know whether the committee expects to or not until we meet again. In general the information that I get in answer to Mr. Hill's question is a personal one, and that is coming from our contact with the people who are trying to get pipe. Almost without exception my information is that commitments run through 1953.

MR. SUMAN: Didn't they bring out in the meeting yesterday there wasn't any great crisis on oil line pipe domestically, but the shortage was of gas line pipe?

MR. RUSSELL B. BROWN: The main pressure is on gas pipe.

MR. SUMAN: I thought there was a distinct statement there that there wasn't any pressing needs that weren't being filled for oil line pipe.

MR. RUSSELL B. BROWN: I think there was very little complaint from the information given yesterday. There was mostly pressure on gas pipe.

CHAIRMAN MALLANAN: Mr. Davidson, Assistant Secretary of the Interior, has taken a very active part in the steel situation, and I think perhaps you will have some questions you want to ask or a statement to make.

MR. GIRARD C. DAVIDSON (Assistant Secretary of the Interior): There were a couple of questions I wanted to ask Mr. Clark about the voluntary allocation law. It is my understanding that that law expires some time soon. Is that not

correct?

MR. CLARK: Public Law 395, Mr. Secretary, expires February 28. New legislation is now in the mill to continue the voluntary agreements program along with other programs of that nature. I cannot speak with relation to future legislation, but would like to speak with relation to Section 2 of the present law, which provides that for six months subsequent to February 1948 agreements entered into prior to March first may be continued and shipments of steel may be made and continued by the steel industry, but it is predicated upon having the agreement fully signed prior to March first, having the public hearings concluded, and returned to the Secretary prior to March first. That is the legal interpretation of that point.

MR. DAVIDSON: That is the point I wanted clarified. Therefore, if there is any agreement to be in effect subsequent to February 28, it is necessary to enter into one prior to that time.

MR. CLARK: I didn't hear your last statement.

MR. DAVIDSON: I say if we want any agreement to last beyond February 28 under present law, it will be necessary to have one prior to that time.

MR. CLARK: That is correct.

MR. DAVIDSON: And after February 28, if the present law stays as it is, there will be no further authority in the

Department of Commerce to make these voluntary agreements.

MR. CLARK: I would say that is substantially correct.

MR. DAVIDSON: It was for that reason, I might point out, we felt if you gentlemen needed a voluntary agreement for your industry, we should go to work now and try to get one prior to the expiration of this law, because if we wait until after February 28, if you no longer are getting the steel, and the Congress doesn't enact additional legislation, you will be out of luck for the remaining six months.

As you know, we in the Interior have felt that we do want this industry supplied with its essential requirements. We feel that it should be done before a great many other relatively less essential uses, although we have to work feeling that the steel capacity of the country should be increased so that we will again be able to do away with the gray market situation and the other problems which are involved. We don't like allocations. We don't like these controls either, but we feel there are relative degrees of essentiality and that the petroleum industry is entitled to get this pipe and have some assurance from the steel companies that they will get it. Therefore, I would hope, although it is up to you, that we would go on and get a voluntary agreement.

There was one other question I would like to know, and that is whether the steel companies have now agreed to

supply non-integrated companies with steel to make line pipe as well as integrated as they originally indicated?

MR. CLARK: I don't know whether I can speak with accuracy on that, Mr. Secretary, but it is my understanding that some steel is now being shipped, and that within this 122,000 deficiency--I say deficiency, I mean maximum capacity as against estimated 1949 production--I think most of that would be in the non-integrated field. Some of these mills, I understand, are not prepared to manufacture the kind of size of pipe and specifications that the petroleum industry desires. Therefore, there is some question as to how much of the 122,000 can be actually produced unless those specifications can be met and unless the size of the pipe and so forth can be arranged for.

DR. WILSON: But the amount going to non-integrated mills is substantially higher for the coming year than it has been in the past and they have pledged themselves to that, as I understand it.

MR. CLARK: Yes, I think that is true, sir. I would like to make one other comment, Mr. Secretary, if I may. Not in contradiction to your position, you have stated it very well, and your interpretation of this law subsequent to February 28, as you have just stated to the group here, is accurate. However, subsequent to February 28 these are merely unilateral requests, meaning by that the Secretary of

Commerce requests each one of the individual producers to continue to let the steel flow. That is about all he can do. He cannot shift tonnage between consumers. We cannot reallocate. We can take no action whatsoever under that unilateral request. It is a status quo proposition and merely continues as you find yourself as of the date March first. We have very little authority beyond that other than merely to follow through and see what is happening. We don't have the same authority we have prior to March first.

MR. DAVIDSON: I think that question is answered now.

MR. SUMAN: Our understanding is that our committee voted yesterday we didn't want and didn't see the need of any voluntary allocation. Unless you want to over-ride the deliberations of the committee, I think as far as the committee is concerned that has been settled. They went into it in great detail and decided they didn't need it at this time.

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MR. HILL: Mr. Chairman, please excuse me for being persistent, but I have been detoured from my question, and from the answer which I desire to it, which I think is of great importance.

I would like to hear from Mr. Clark what his studies reflect in reference to the maldistribution or otherwise of line pipe, and whether or not any of it is available at all prior to 1954, according to Commerce Department studies.

MR. CLARK: I believe Mr. Hahn can answer, the Chief of the Petroleum Division over in our office.

MR. HAHN: It is my understanding from discussions with the steel pipe producing mills that their full capacity is spoken for and under firm contract through the year 1951. So there is no matter of allocation. Law 395 does not permit cutting across contractual relations. Therefore, we have to have other legislation to permit us to operate on any allocation program.

The mills have sold their capacity. It is on a project basis. Oil company goods are out of the hopper and come and get it. There are contracts, of course, for large amounts of it, but it is not contracted the same way.

The books are opened periodically, and they are for other steel products. But in the case of line product, that is not the fact. It is contracted for.

MR. HILL: It is your understanding that that obtains

only through 1951?

MR. HAHN: Some of them beyond that. It depends on what mill it is. They vary.

Some of them accept contracts for longer periods, but most of them, I think, are completely sold through 1951. Our experience is certain in that particular area where we had the problem of line pipe for a natural gas line to the Atomic Energy Commission. When they came to secure an allocation of an allotment for that, it was very difficult for the reason that all the mills were sold.

It was a matter of whose project was to be set aside. So I think you will find that it will be very difficult to secure any allotment or allocation basis other than through new legislation, and that would be of a very drastic type.

CHAIRMAN HALLINAN: Mr. Warren?

MR. WARREN: Maybe I don't hear right here, but I am absolutely astounded if both of these departments are saying that the door to an independent oil man is absolutely closed until 1953 to get some gas line. Is that what I understand to be the case, Mr. Friedman?

MR. FRIEDMAN: As far as I know, as Mr. Hahn has said, and I must say Mr. Hahn is much more an authority on what the steel mills are doing than I, there is no opening for large diameter pipe until 1951, I believe he said.

MR. WARREN: In other words, the independent man

who hasn't a contract hasn't a chance in the world of getting it.

MR. RAHN: It would be pretty difficult. You have to know somebody. (Laughter.)

MR. ROWAN: My understanding as to the smaller size pipe was that there would be smaller sizes of line pipe available, and that the output would be increased.

MR. HAN: Yes. They will try to do that. That does not apply, as I understand it, to oil country tubing. They sell their product every quarter. They open their books every quarter. It was not my understanding that the committee was going to abandon this project of trying to get additional steel for the oil industry. It was my understanding that we were going to stand by the figures that we submitted to the Interior Department as our requirements, and see if we couldn't get those commitments, and that amount of steel delivered to us if we needed it.

As to reexamining those figures, if anybody questions them, then we said we would go back and make a reexamination of them and make a restudy of the situation, and see what it looked like.

Public Law 395 was passed with a reamble which states that its purpose is to stop inflation. When you have a situation like that which you see on that chart, which I know exists in oil country tubular goods, where you have to go

into the gray market and buy pipe at an exorbitant price or have to go into conversion, that is inflationary.

The conversion is something that probably helped the oil industry to get over this hump and to get the balance of supply with demand.

I think those companies that have gone into conversion are to be highly complimented for doing so, but this business of letting your product get into the hands of people who are not in the oil industry, such as band leaders and people like that, and then letting them sell it to the oil industry at two or three times what the list price on it is, is wrong.

There are only five or six mills that are making oil country tubular goods, and they distribute it through their oil country representatives, who have offices in the oil country, and know every oil man in the business. All we ask them to do is to sell their products in the country to the man who is ultimately going to use it, and put it in the ground in an oil well.

They can do it voluntarily. You don't need any law. If they would do that, you would stop that gray market business.

CHAIRMAN HALLANAN: I think we do need some clarification, perhaps, Mr. Brown, from you as Chairman of the Committee with respect to the matter of whether or not you should go forward with any purpose of having an allocation

agreement under Public Law 395.

Secretary Davidson and Mr. Clark have had this discussion as to when such agreement had to be made to come within the provisions of the existing law, and Mr. Suman's statement is that your committee on yesterday did agree that so far as the petroleum industry is concerned, we did not desire to enter into any allocation agreement.

MR. SUMAN: They didn't vote on that.

CHAIRMAN HALLINAN: I think the matter is in a position here now where we must have some clarification so we will know what our position is, because I believe time is running out on us.

MR. RUSSELL B. BROWN: As a matter of fact, what ~~happened on that yesterday~~ *yesterday was that the committee*, as I explained, we met at three o'clock. We had a meeting with the steel people at four o'clock.

We didn't have time to go into a full discussion to settle a question as important as whether or not we should demand what type of agreement. We couldn't ask for an agreement unless we could clarify the type *of agreement desired*.

Therefore, you were in error as to passing on that. What we did decide to do was not to take action last night on the question of agreement, but to stand by the figures we had presented as being the amounts we required, that the item presented by Secretary Krug to the Department was the item

*as*  
we felt ~~should be~~ corrected.

They came back at us and said they were going to supply that. The well-known question of whether they are going to do that or not will determine largely whether we ~~have~~<sup>need</sup> to have an agreement.

If they are going to do it, many of the folks say, why not agree to do it? But we have not passed on that. That is our next job.

CHAIRMAN HALLANAN: I can understand why there should be confusion by the Secretary of the Interior as to what our position is on this matter. Whether they should go ahead or whether they should abandon their effort to work out this agreement.

MR. RUSSELL B. BROWN: As I understand it, the steel committee has never made a recommendation on the question of agreements.

CHAIRMAN HALLANAN: I think the record should be corrected to show that.

MR. RUSSELL B. BROWN: We never had any authority to pass on that question. The only question we had was the question of demand, and we were recently given new authority to explore that further, which we have not made a report on. Is that clear?

DR. WILSON: May I ask Mr. Brown if he got any light on this question of how the steel does get to the band leaders,

and whether the steel companies are making progress in stopping that diversion?

MR. RUSSELL B. BROWN: We have not made any progress in stopping the diversion, and we have not found out how it gets to them. The propositions I have had here in Washington are amazing.

The girl friends of some of the fellows tell me they could get enough steel to furnish a market.

MR. JACOBSEN: How do you meet the girl friends?  
(laughter).

MR. RUSSELL B. BROWN: So it goes. I don't know how far that has gone. I don't know why it has been permitted. I just know it exists. That is all. We find it. We haven't had a chance to explore where that comes from.

As a matter of fact, on this question the committee have been in session, I would say, only 12 hours.

CHAIRMAN HALLANAN: What is the position of this body today with respect to pursuing this matter with the Department of Commerce on the basis of an allocation agreement?

MR. RUSSELL B. BROWN: We would like to have instructions on that. If you want the committee to explore that further, that is what we would like to have you say.

CHAIRMAN HALLANAN: It seems to me that is what is left in mid-air.

MR. RUSSELL B. BROWN: I think that is true. It is

in mid-air, and it isn't fair to the Interior Department to leave it there.

DR. WILSON: But we have given the committee authority to pass on that, and it is up to them. They don't need instructions.

MR. RUSSELL B. BROWN: The committee, as I said, have not had a chance to explore that. All we have done is what I said a while ago: that we recommend exploring that question immediately.

MR. W. ALTON JONES: It seems to me you need instructions on whether we should ask for a voluntary agreement unless the committee should express an opinion.

I think, as somebody pointed out, the real force and effect of these voluntary agreements expires on the 28th of February. There is certain moral suasion and status quo conditions that prevail after that point.

But it would be very helpful, I think, Mr. Chairman, if Mr. Brown's committee could promptly express themselves on what they want, and whether they think it is worth while to ask for a voluntary agreement with respect to this matter.

CHAIRMAN HALLINAN: I think we owe it to the Department of the Interior to give an expression of what our view is.

MR. FRIEDMAN: I am sorry to take so much of the Council's time when we are running late, but I wonder if that



is a question that really is before Mr. Brown's committee.

The request that was made was for a statement as to the amount of steel that the petroleum industry needed to meet certain stated requirements given by the Department of the Interior.

Based on that, the Department of the Interior has been trying to get voluntary agreements through the Department of Commerce from the steel industries. These agreements do not involve directly the petroleum industry. They are agreements that a stated amount of steel will be made available to various fabricators of facilities for the petroleum industry, such as tanks, tankers, pipe, or what have you. We have already gotten, I believe, four agreements, four voluntary agreements, entered into.

I didn't know there was any question about the desirability of getting agreements on the rest of the items in the bill of goods you said you wanted. We have pursued it very aggressively. The Secretary made a personal plea for such an agreement from the steel products advisory committee in November. It was my idea that we were following that presentation up yesterday.

If the Council now feels that there is some question as to whether or not we should continue to press for an agreement, I think they should tell us so promptly, because until they do, we have no choice but to go ahead. I am afraid

we will go ahead unsuccessfully unless we have the backing and the views of the Council.

As Secretary Krug said, it is our feeling that if the steel industry is willing to say that they will give so much steel for fabrication into oil country goods and the line pipe, they should be willing to put it into writing and, Mr. Jones, that goes not only to the 28th of February, but the agreement itself will be legally effective for eight months thereafter.

So, it is eight more months, and not just a few weeks.

MR. HILL: Mr. Chairman, in my judgment there is another alternative to the accomplishment of the voluntary agreement under the existing law, and as far as I am concerned, I think it is a far more effective alternative:

I think both <sup>the</sup> Interior and Commerce <sup>Departments</sup> are interested in the statistics of what this pipe situation is, and I think that the force of considered opinion by the Departments and by the industry of a situation that creates and permits a situation <sup>is a powerful corrective and</sup> of maldistribution <sup>is</sup> one that the intelligence and fairness of this industry are fully able to cope with when the facts are known, and particularly if the facts are determined <sup>as the result of</sup> by an impartial study from either Commerce or Interior, or both acting together.

I want to illustrate that by this statement of fact:

*The*  
 That picture with reference to oil country goods, which is  
<sup>in the IPAA chart</sup> described as a tragic picture, is <sup>really</sup> a beautiful picture  
 compared with the situation that exists with respect to line  
 pipe. I mean by line pipe, Bob, not line pipe of large  
 dimension. I mean four-inch, six-inch, eight-inch, 12-3/4  
 inch pipe, to the same degree <sup>as</sup> in 20, 50 and 30-inch pipe. You  
 have a system which now exists in which the books are opened  
 every 90 days with respect to <sup>oil country</sup> tubular goods; ~~You have a line pipe~~  
~~the position which is closed.~~ I think 1951 or 1954 is a ~~better~~ more  
<sup>realistic</sup> ~~date than 1951~~ <sup>from the bookings accepted by the pipe mills.</sup> ~~by a very careful study, appraisal and solicitation~~  
~~of a very energetic nature to determine what is available.~~

In that, if that fact be true, then what you face is  
 a situation which has become rigid, ~~but only rigid dependent~~  
~~upon the sense of fairness and of soundness of those individual~~  
~~contractors who have bought up in practically totality the~~  
~~line pipe supply for a period of four to five years.~~

~~That is a situation~~ <sup>and</sup> which manifestly cannot be  
<sup>persist.</sup> ~~permitted to exist, and that is one which~~ <sup>Such a situation</sup> ~~can be relaxed to the~~ <sup>only</sup>  
<sup>dictated by the</sup> degree ~~that~~ fairness and propriety ~~would dictate by the~~  
~~who have bought up, in practical totality, the line pipe supply~~  
~~parties to the contract.~~ <sup>for a period of four to five years.</sup>

If the steel companies say "We are bound because  
 the oil industry contractors will not relax", then the  
 question is: "What is the attitude of the oil industry?"

This is the oil industry that is now here discussing  
 this problem, and it is the industry that has the voluntary

capacity to relieve that situation. If voluntary agreements are obnoxious, heaven knows that involuntary agreements are exceedingly more obnoxious.

If a sense of the fitness of things has violence done to it by a careful and studious consideration of the implications of making rigid the ability to get any line pipe for that period of time, it doesn't take any mental giant to see what hurtful implications are involved in it.

So, in my own judgment and in my own book, Mr. Secretary, you, and Mr. Clark, you, can probably accomplish more by the development of the facts and a discussion of the facts in a deliberative body of this sort whose personnel very surely have it within their competence, by voluntary action and fair dealing among <sup>themselves</sup> ~~one another~~ <sup>correct an undesirable</sup> ~~to bring a situation to~~ ~~pass in which that sort of situation will not continue.~~

I have not heard a word of discussion of why the steel industry should elect to deal upon one basis with industry in its entirety with reference to one type of product in the producing end of it and have an entirely different set of rules in respect to the transportation end of the industry, in which only a few people are involved.

The door cannot be closed, the avenue of opportunity cannot be closed. A man who discovers a gas distillate field two miles from a pipe line outlet can't be shut in because of <sup>inability to</sup> ~~the~~ purchase ~~of~~ two miles of four-inch pipe, but he can't buy the damned stuff anyplace in America through legitimate channels,

because of the adamant position that every ton, as you said a while ago, Bob, is contracted for four or five years.

So I say that whether this committee, of which Mr. Brown is Chairman, and which has done very fine work -- and I don't want this to be understood in any degree as being in ~~depreciation~~ <sup>appreciation</sup> of your fine work, Russell, and your committee's work -- but I say that another opportunity exists which is a statesmanlike one, and a fair one, and one within the competence of the departments involved, and the industry involved to solve equitably and expeditiously and in the spirit in which this industry has really accomplished things in the past, <sup>that of</sup> strictly free enterprise.

MR. FRIEDMAN: George, I think what you have said is very true, and I think it lies within the province of Russell's committee under its enlarged assignment to go into the matter of maldistribution. I think that was in the terms of reference.

There are two different arguments, as you realize. How you distribute your 2.5 million tons of line pipe is one problem. The problem we have been working on lately is to make certain that 2.5 million will be available, will be produced.

You have to get the pipe, of course, before you distribute it, and we have been trying to solve that one first. We have not at all overlooked the problem of distri-

bution.

MR. BLAUSTEIN: Do I understand Mr. Friedman to say unless he hears from the Council to the contrary, the Department of the Interior is going to pursue a renewal of the voluntary agreement in this particular field?

MR. FRIEDMAN: We are going to continue to pursue the agreement which we have been asking for for the last about eight months, and that is an agreement that all mills capable of producing oil country goods and line pipe be supplied with all the steel that they can use to capacity operations.

How that is to be distributed, we have not taken up. We have done so casually, but the major objective is to have the last length of pipe produced.

MR. BLAUSTEIN: As I understand, there will be no discontinuance of effort to that end.

MR. FRIEDMAN: We will have to find that out.

MR. BLAUSTEIN: How do you want to find that out? From whom? The Council?

CHARMAN HALLINAN: Under the letter of Secretary Krug of November 19 requesting enlargement of the functions of your committee, he predicates it upon the desire to have the committee study, and I quote, "problems of shortages, exportation and maldistribution of steel materials insofar as they relate to petroleum, and report thereon with such recommendations as

to the Council may seem appropriate."

So I think there is no question about the authority of your committee to supplement whatever conclusions it may reach.

MR. RUSSELL B. BROWN: I thought I made it clear in the opening that we feel there is no question about our authority to go into that.

At the time we were created, and finally approved and notified, then the steel people were ready to meet with us. We were first going to have an exploratory meeting with them, arranged through the Commerce Department at the request of Mr. Friedman. So we arranged to meet them at that time, and that failed, and they put it over to another time and that failed.

Finally, before we had the exploratory meeting it was four o'clock yesterday afternoon. That is the point I am making. So, then we said we have not the time now to go into this very difficult question of agreement because if we recommend an agreement we want to recommend the type of agreement that the Council would suggest.

So as a matter of fact, it was a physical situation rather than any other, and that is what we meant when we postponed it. It didn't mean we didn't have the authority. I think we have plenty of authority now to go into the question of agreement.

DR. WILSON: And you propose to do so?

MR. RUSSELL B. BROWN: And distribution. And it is our disposition at this time to take that up immediately.

MR. BIAUSTEIN: Does the committee's recommendation have to be approved by the Council before the Department of Interior will pursue this thing?

CHAIRMAN HALLANAN: Yes, but I think --

MR. BIAUSTEIN: When do we have a meeting?

CHAIRMAN HALLANAN: But I think the Department of Interior would be expected to give weight to the committee's recommendations in the absence of action of Council.

MR. BIAUSTEIN: So the whole thing isn't being held up until this Council meets again?

CHAIRMAN HALLANAN: No, I don't anticipate that.

MR. DAVIDSON: The only point I would like to comment on is that I think you gentlemen realize that when we are acting and trying to get this kind of agreement, if you indicate you don't want it or don't need it or are not sure that you want it, then it makes our job - I would say practically impossible to get one, because the steel people do not like these agreements.

Commerce has told you they are not anxious to get one, and we can't perform miracles.

MR. W. ALTON JONES: May I call attention to the fact that no matter whether you pursue or do not pursue the



question of voluntary agreements, you are not getting at George Hill's question.

He has called attention to the fact that through 1954 the steel industry through an old, ancient and accepted method of contracts had signed up the capacity of all their mills for pipe, and voluntary agreements to the contrary notwithstanding that status quo situation is not going to be changed except by one of two things happening: either the Congress enacts and gives somebody power to set aside existing contracts between the oil companies and the steel companies that now have been in existence or are now in existence, or, as George fringed a moment ago in his discussions, the oil industry itself in its statesmanlike way shall voluntarily among themselves find a means by which these distress cases that George is talking about are taken care of.

If it is true that five companies out of the thousands that are engaged in the oil business have sewed up all the pipe mill capacity of the country, it may be that it is not in the public interest, and it may well be that the oil industry itself should do something about that.

But I am afraid we are talking around the point. What George has pointed out to us here very vividly is that there are many cases known to many, apparently, where situations are acute, where situations are really serious, and the small fellow is being hurt immeasurably. That is

just the way of life. We have to accept it.

But there is some way, some place in this picture a chance for voluntary concessions or agreements among industry. I don't know exactly what kind of machinery, Mr. Chairman or Mr. Friedman, could be set up to handle that situation.

He spoke a moment ago rather forcibly about an impartial judge. I wouldn't consider the fellow an impartial judge if he took the pipe I contracted for in 1946 and gave it to George. I would say he was impartial as hell. But I do realize that George may have an acute situation and he might need the pipe worse than I do. It might be if I had eight miles of pipe I would give it to you, but I am wondering if there isn't some way in that realm of give and take in this business where some industry statesmanship will come to the fore, and we will find a way to handle those distress cases.

You can't blame a man, and you are cutting across our very concept of free enterprise, when you say that I am going to go out and be forehanded and contract for my pipe needs five years in advance, because I am going to build a pipe line. It would be a bad thing if, when I fought in the midst of that pipe line, some very impartial body would come along and say "Jones, you are just a sucker. We are going to take your pipe. You can't complete the line. It is too bad, but we decided we are going to give it to Jake, or somebody

else."

We can't forget that we fight for this free enterprise system. That is the embodiment of it: The right to contract for your needs, the right to build and anticipate your needs in advance.

We don't like to discourage that. I do think there is some give and take in this business. I would be surprised if together we couldn't find some three miles of pipe to take care of this fellow. Isn't that, after all, the practical approach to your problem? Isn't there a way or a twilight zone, or no-man's-land in which in industry itself can do a little cooperating and not expect Friedman and Clark and the others to solve all our problems for us?

I think we are getting at the problem here, but we are talking around it.

MR. HILL: I think merely an understanding of the facts that come from an impartial study will do the job without any machinery.

CHAIRMAN HAILANAN: That is the function of this committee.

MR. JONES: I rather think the committee hasn't finished its job, then.

MR. JACOBSEN: Mr. Jones has said a good deal of what I had in mind, and I have very little to add to it. We talk about the oil industry tying up all that pipe. Isn't that what

the gas industry has done? Isn't it perfectly natural that it has happened?

If somebody wants to build a gas line of 1200 or 1500 or a thousand miles in length, he can't afford to operate from month to month or three months to three months. He must make a contract for the delivery of the pipe, just as he must arrange for his financing and getting the right of way and everything else.

I don't think the steel mills just for the fun of it have done this sewing up of their capacity for five years or three years. I think that people went to them and one man wanted so many hundreds of thousands of tons, and another one so much, and one wanted a thousand miles, and another wanted 1200 miles of pipe, and they took the orders as they came and they are delivering them as they came to them.

I don't know just how the thing is going to be done, but my understanding of the situation is that the pipe is mostly tied up by those gas companies who had to buy pipe in that way. You can't buy pipe for a gas line every three months if you have to build 1200 miles of it.

DR. WILSON: I think it only fair to say, too, Mr. Chairman, that a great many of these companies -- George would speak as if it were a conspiracy to sew everything up for five years. Of course, what happened, some people wanted

to build pipe lines in '49 and they got there. Somebody else wanted to build a pipe line in '49 and had to go to '50. Somebody wanted to build a pipe line in '50, and he had to make a contract for '51. Everyone has been shoved ahead of the date when they would like to have the pipe, but it isn't any conspiracy.

You said "if it was true that five companies had sewed it up", but I am sure it isn't true. There are hundreds of different contracts for different projects which have come along and everybody has gotten shoved ahead. Some are two or three years behind what they would like to have it. The question is, can you justly take some of that on a completed project, and put it in now?

On the other hand, a few miles of pipe can certainly be gotten some place. One very encouraging thing, as you know, is that the gray market price has been on the toboggan and, judging from the analysis of the petroleum industry, in a few months you will find enough for everybody.

CHAIRMAN HALLINAN: Do we understand, then, that you will continue a study of this matter?

MR. RUSSELL B. BROWN: Mr. Chairman, this conversation has done exactly what the committee needed. We needed a clarification of the mental attitude toward this. We had this problem such a short time that we didn't feel equal to it last night. It was our agreement when we adjourned yesterday

that we would reconvene soon for a reconsideration.

I think this may move up the time in which we will meet.

CHAIRMAN HALLANAN: You will be in touch with the Interior Department.

MR. RUSSELL B. BROWN: We hope to do that. I am very happy to have this discussion, because it does the thing we need in our committee.

CHAIRMAN HALLANAN: Mr. Burns, you were recently named Chairman of the Committee on Mineral Industries Census. That committee was appointed only a short time ago, and I assume you have made no progress, but I did want you to have an opportunity to make any announcement that you cared to make.

MR. BURNS: Yes, Mr. Chairman.

The committee was appointed only last weekend, so naturally we have had no opportunity to meet. I notice that most of the committee are present, or were present here. I would be very much obliged if they would remain over the adjournment of this meeting so that we might at least have a preliminary discussion and maybe get through some of our business.

I don't think Mr. McCollum is here. It would help a great deal if Bob Friedman could stay a while with us.

CHAIRMAN HALLANANA: The Chair recognizes Mr. Hines

Baker.

MR. BAKER: Mr. Chairman, the Secretary in his statement this morning before the Council said that he was speaking quite frankly and quite bluntly on the question of the tidelands matter by saying that industry was butting its head against a stone wall in supporting the position of the states for the ownership of tidelands.

As one who has acted with the industry over a period of several years in a study of the tideland question, I would like to make a few comments, if I may, upon the statement by the Secretary this morning on that issue:

In the first place, I think it should be recognized that the fight that is being waged over the tidelands question is a fight between the states and the administration, and that the Governors and the Attorneys General and land commissioners and other representatives of the states are the people who have taken, assumed and carried the lead in this fight for the recovery of the tidelands by the states.

They were able at the last session of Congress by overwhelming vote to secure the passage of their bill in the House. They were not able to get it to a vote in the Senate. I think that it is pretty well recognized that a change has occurred in the membership of the two houses, and that there is a serious question about their ability to pass by a two-thirds majority vote at this session.

It seems to be recognized that the legislation sponsored by the states would be vetoed, and to that extent the Secretary's statement that those who are sponsoring state legislation may be butting their heads against a stone wall may seem to have some basis.

I would like to say, though, that the administration had a bill last session that was in committee, and was not able to get itself even to hearing, and the position of the government seems to be that they can't get enough votes to pass their bill through Congress.

Therefore, it would seem that if the administration were taking a firm stand along that line, this head-butting business applies two ways, and that the problem is not so simple as might be indicated of simple acquiescence to the claim of the federal government to ownership of those lands.

I don't know to what extent the state people are going to maintain their position, but I think it must be recognized that the position of the states in this matter is as old as the United States, and that there it is probably not going to be surrendered easily.

If we may look at things as bluntly and with as much candor and frankness as the Secretary spoke this morning, we may expect no legislation will be enacted unless the administration also recognizes that there are stone walls against which heads might be butted.



Of course, I am not able to speak for the state governments and the position which they take, but I should imagine that this head-butting will go on untill it is recognized on two sides what the situation is.

MR. BIAUSTEIN: Mr. Chairman, I think we might well heed the advice given by the Secretary this morning. I feel that we are butting something that is absolutely impossible. I feel that these tidelands will not be vested in the states. I think that instead of continuing the route the industry has been going, we will get far further with respect to the industry interests if we will, instead, try to do what we can do to see if there is federal ownership that certain fundamental principles are preserved.

I think that we had better give serious consideration to the advice of the Secretary, and not find ourselves too late in trying to do those things which will make it possible to operate improperly, or impossible to operate properly under federal ownership.

I mean such fundamentals as having leases already granted by the states recognized and honored, and sums spent in exploration and development and royalties already passed protected and not confiscated.

I think we must get the federal people to understand that these lands must not be permitted to lie dormant until some emergency arises, but that instead, they should not

neglect to do what they can do to have an orderly, although not wasteful, exploration and development by private industry.

I think that is something that needs be done. I think that effort should be made to try to avoid unnecessary red tape in federal leasing.

I think a number of constructive things can be done in that direction. I do fear that if the industry holds off too long and continues to simply think of this thing only in terms of state ownership, we are going finally to wind up with federal ownership and we are going to find that a lot of important things and fundamentals that should be recognized in a federal bill of this sort will have gone by the board.

MR. ROWAN: The unfortunate thing about the Secretary's remarks this morning were that there was a veiled threat of what the government would do to us if we didn't cease a fight which we think is just and right.

I think it is a sad thing when a servant of the people threatens those people who are here and who pay his salary. There was no discussion on the part of the Secretary as to the merits of the case, or as to the rightful ownership of those lands. It was simply a threat that if we didn't cease our fight for that which we think is right and that which we think is just, and that which we know we own, then retaliation would be had against us. I am apposed to that form of government.

MR. MAJEWSKI: Mr. Chairman, was this on the docket? I would like to raise the question of a point of order. I didn't know this was on the docket.

CHARMAN HALLINAN: There was no docket, Mr. Majewski.

MR. MAJEWSKI: On, yes, there is a docket. There are five committees I want to get to, and I hope there are at least four people who will constitute a quorum. I want to get rid of an important thing.

If you are going to discuss the tidelands, I suggest you put it on the docket some time.

As I understand Mr. Hines Baker, he says that this is a fight between the states and the federal government. How did we get in? Only as citizens of the states. I haven't as short a memory as the Secretary. His was a long time ago. Mine was in '36 when I sat up there.

MR. JACOBSEN: Have you got a retort for him?

MR. MAJEWSKI: I have a hell of a good one, but I am going to give it to him.

I think if you fuss with the guy, I am going to raise hell with his being here. I am not defending him, because I am going to have something to say to him on this question, too.

Maybe I won't agree with you fellows. I would like to suggest to you that he came in here asking for a compromise. If I understand the political slant of his conversation this

morning he was inviting all you fellows not to butt heads, but to come in and make a compromise, suggest to your several state officers who are interested in this question, and every state in the union is, to come in and make a compromise.

I would like to go on with this docket, and then docket this and later, when you have all the big fellows here that you want, to raise hell with him.

DR. WILSON: That is sensible. We haven't time to settle it tonight.

MR. MAJEWSKI: Give a guy half a break.

CHAIRMAN HALLANAN: The Chair has no apologies to offer for extending the opportunity to Mr. Baker to answer the remarks of the Secretary, even though it were not on the docket.

MR. MAJEWSKI: I am not protesting that, but I want you to call a halt some time, like you gave that vote this morning, remember. Halt it like that. (Laughter.)

CHAIRMAN HALLANAN: The Chair recognizes Mr. Jones as Chairman of the Budget Committee, to present his report.

MR. JONES: Mr. Chairman and gentlemen: at the last meeting of the council the question of the budget for the year 1949 was brought up. It was pointed out that in the articles of organization of this Council we had done two things: First, we had provided that the budget for the calendar year on which we operate was to be determined at the last

meeting of the Council. In the light of the fact that that is a lame duck session, it seems rather silly to pursue that.

It seems more appropriate that the Council at its first meeting after organization should determine its budget. We did another thing in the articles of organization. We limited the budget to \$50k,000, and then the Secretary called attention to the fact that due to the rising cost of living, and other things, it appeared that the budget for the year 1949 would exceed \$50,000. So, we are faced with the need for amending our articles of organization in those two respects.

I am mindful of the fact that when this Council was first created as was pointed out this morning by our Chairman, there were many members of the industry who were fearful that the Council could serve no useful purpose. Some were concerned that the functioning of the Council would involve us in antitrust problems, prosecutions and the like, and that it also might duplicate already existing organizations.

I think as time has passed many fears in that respect have been allayed, and we now feel we can function and have functioned usefully.

One of the reasons for limiting the amount of the budget to \$50,000 was to give assurance to those who were concerned that we were not undertaking to build a large

organization paralleling other existing and well-established trade associations. I think it is obvious to all of you that a budget of \$50,000 does circumscribe the operations rather seriously.

I have had some indication that the present year, during 1949, the budget will probably approach \$70,000. Part of that, of course, is due to printing of such things as the National Oil Policy Report, and Mr. Jennings' report on machinery for a war setup, and what have you.

I am not going to pursue or labor that discussion, but I want to propose here and your committee recommends that the articles of organization be amended in the following respects: that paragraphs 6 and 18, which are affected, be amended as follows: Paragraph 6 under the new amendment shall read:

"The Chairman shall preside at all meetings of the Council and shall, with the advice of the Appointment Committee, appoint all special committees and the members thereof (who may or may not be members of the Council) as the need therefor arises. Members of Committees shall be selected on the basis of their training, experience and general qualifications to deal with the matter assigned to the Committee. Such committees shall be dissolved when they have completed their assignment and the appointments

thereto shall be for a term ending on the date of the next organization meeting of the Council. The Chairman shall authorize all expenditures and perform such other duties as are usually pertinent to the office of Chairman."

That is a modification of the original article of organization in the respect that it strikes out the limitation of \$50,000 and leaves it to the Council to fix at its first organization meeting the amount of its budget.

I move that amendment, Mr. Chairman.

(The motion was severally seconded.)

CHARMAN HALLINAN: You have heard the motion, duly seconded.

(The motion was put to a vote, and carried.)

MR. JONES: The second amendment has to do with a change in paragraph 18, of the articles of organization, which also covers this point, and will read as follows:

"Operating expenses of the Council and of all of its committees shall be met from a fund to which contributions may be made by persons engaged in the petroleum industry and by members of the Council. At the Council's first meeting in each calendar year, the Secretary-Treasurer of the Council shall present a suggested budget for the ensuing year, and expenditures for operating expenses during

such year shall be limited to the amount approved by the Council at such meeting."

That simply provides for the setting up of a budget by the Secretary, submission thereof to this Council at its first organization meeting, which is the meeting here today.

I move that amendment.

(The motion was regularly seconded.)

CHAIRMAN HAILANAN: You have heard the amendment proposed by Mr. Jones, which has duly been seconded.

(The motion was put to a vote, and carried.)

MR. JONES: The third matter has to do with the matter of solicitation of funds. At our organization meeting two years ago it was suggested that the members of this Council were appointed by the Secretary of the Interior, that there should be no effort made to have the expenses underwritten by a few large companies.

More to remove any question of doubt as to the domination <sup>by</sup> of those companies of the operations of this Council, <sup>it was decided</sup> that each member should contribute pro-rate, or should be asked to contribute pro-rate to the expenses. That is a good theory, but it hasn't worked out quite fairly, and in some cases many desirable members of this Council do not feel, and properly so, that they can afford to contribute pro-rate to the expenses of this body.

It is the considered opinion of your committee that



we not undertake to invite subscriptions to our budget fund on that basis. Whatever we do, we will have to adopt some more or less arbitrary method, and we will have to follow the old rule, if you please, "those who can best afford to pay will be asked to pay".

Bear in mind that payment of - not dues - payment of subscriptions to this fund is purely voluntary, and you will be asked to make contributions. If you don't see fit, that doesn't affect your membership on the Council at all.

It is suggested, Mr Chairman, that a Finance Committee be appointed whose function will be to undertake to apportion the budget determined upon by this Council as fairly as may be among the membership thereof, and undertake to raise the budget on that basis.

That, sir, concludes the report of the committee. That is a suggestion, and the committee recommends that you follow that procedure. That provides for the creation of a Finance Committee whose function it shall be to undertake to apportion or pro-rate the expense and invite subscriptions in accordance with their best judgment as to what is an equitable and fair contribution of the various members, whether they be trade association members or individuals who want to be identified with the oil companies.

CHAIRMAN HALLANAN: You have heard the recommendation contained in the committee's report. Are there any remarks?

Is there any discussion?

MR. JONES: I move that action, Mr. Chairman.

(The motion was regularly seconded.)

CHAIRMAN HALLANAN: It has been moved that the report embracing these various proposals and amendments be adopted.

(The motion was put to a vote, and carried.)

CHAIRMAN HALLANAN: We want to get the overall picture as briefly as we can now from the various districts with respect to the situation on the voluntary allocation agreements.

Mr. B. I. Graves, Chairman of District Number One, is unable to be here today, but the report will be presented by Mr. Hill, a member of that committee.

Mr. Hill.

MR. HILL: Mr. Chairman, in order to save time, I won't read the whole report, except to say that there apparently is no shortage of petroleum products existing in District Number One.

The committee is still activated, and is standing by and is ready to act in the event a shortage does occur. Unless public law Number 395 is extended and the voluntary petroleum products allocation plan under that law is likewise extended, the committee will terminate its activities on February 28, 1949, unless in the meantime it is disbanded by cancellation of

of its present governmental authority to operate.

That about covers the report, and I will give it to the Secretary.

CHAIRMAN HALLANAN: Mr. Majewski, will you report on District Two?

MR. MAJEWSKI: I would like to, and I will be very brief, <sup>however</sup> ~~but~~ I have a concrete recommendation to make concerning District Two that I hope Dr. Wilson's committee will in the overall consider *for the nation at large.*

I was handed a press release by Mr. Friedman and he asked me whether it releived my mind at all, or whether it worried me more.

It worries me more. The Presidential Order dated today that <sup>Krug</sup> ~~the Secretary~~ referred to, <sup>states in part</sup> ~~gives as its reasons,~~ to ~~the heads of all Departments of government,~~ that the solution of the general fuel supply situation was due to the fine cooperation of the entire federal establishment during the past year in reducing to a minimum the consumption of scarce fuels, and that ~~has~~ contributed materailly in overcoming the fuel shortages of last winter and this spring, and in bringing about the present improved situation.

This improvement is especially notable with respect to fuel oils of all kinds.

*The Council to know this*  
I wanted ~~you to hear that,~~ because ~~that is the main~~ reason for suspending the order dated January 17, 1948, ~~that~~

*The foregoing  
quotation is  
given as*

the Secretary of the Interior recommended, for the conservation of fuel oil, gasoline and gas.

The Secretary ~~one~~ in and then recommended recently that this order ~~not~~ be revoked because there is plenty of everything, but I wanted you to know the reason, how the thing was finally solved, by the mere fact that the government suspended the use of oil and gas ~~for this period of time~~ <sup>during the period of temporary short supply.</sup>

The Committee on Voluntary Petroleum Allocation Agreements, of which Mr. Robert E. Wilson is Chairman, should prepare on behalf of the Council a report disclosing the <sup>full</sup> ~~known~~ <sup>which will show</sup> facts ~~that~~, there is no necessity for the petroleum industry to be included in the President's program for stand-by price and allocation controls which he recommended <sup>to the Congress</sup> ~~in his statement~~ of the State of the <sup>Union</sup> ~~Nation~~ message ~~to the Congress.~~

This report, with the concurrence of the oil and gas division, should be directed to Secretary Krug so that he may officially and formally apprise the President of the real facts covering the present and the foreseeable future.

The Secretary of the Interior stated this morning that he is satisfied that there is no need for continuing the Voluntary Agreements <sup>Plan</sup> arrangement beyond February 28, 1949, when Public Law 395 expires by lapse of time.

I do not wish to belabor the point of when the Voluntary Allocation <sup>Plan</sup> in District Two should be terminated,

*withdrawn*  
~~and~~ the Department of Justice clearance ~~ended~~, and the Committee discharged. *I desire that* ~~I simply want to state for~~ the records of the National Petroleum Council, ~~and I want it to show,~~ that there is no further need for the Committee, and that the petroleum industry by the expenditure of much money not only for capital improvements but for operations far beyond the call of duty, working in conjunction with the Oil and Gas Division, has fully met all demands on it, and has put itself in position to continue to do so on a competitive basis.

*Insertion of additional paragraph (attached) requested by Mr. Hall*

"Also, the Attorney General should be advised by the Secretary of the Interior that the Regional Advisory Committee in District Two has not functioned since its last authorized reorganization, and does not intend to function.

record.

CHAIRMAN HALLANAN: Do you have the report for District Three?

SECRETARY BROWN: District Three is under John W. Newton, the Chairman, and he writes to Mr. Hallanan that the committee is available to perform any duties which fall within its lawful scope, and at any time you think it necessary for him to attend the Council, he shall be glad to do so.

He indicates that the situation is in hand out there and the committee is standing by to meet any emergency that may arise.

CHAIRMAN HALLANAN: That is a report from Mr. Newton as Chairman of District Three.

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so on a competitive basis.

*Investigation of additional work (attached) requested by Mr. Hallman.*

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him to attend the Council, he shall be glad to do so.

He indicates that the situation is in hand out there

and the committee is standing by to meet any emergency that may

arise.

CHAIRMAN HALLMAN: That is a report from Mr. Newton as

Chairman of District Three.

Mr. Robineau, do you have a report from your district, District Number Four?

MR. ROBINEAU: Mr. Chairman, District Four region has been operating in stand-by condition. No formal meeting has been held since the October meeting, which was reported on at the last Council meeting.

The Chairman of the District has gathered statistics and circulated them among other members of the committee, and asked them to report any difficulties in their area.

I have submitted a report to Mr. Brown with some figures on it. I won't take your time to go into them in detail, but will merely summarize:

In District Four gasoline is up about 300,000 barrels to a total of 2,100,000. Kerosene is a little higher than it was last year. The gas, oil and distillates are double what they were a year ago, from 800,000 to 1,600,000. Residual fuels are up about 400,000 to 1,100,000.

Crude oil stocks are up to a little in excess of 11 million barrels, which is a three-million barrell increase.

The daily crude production during December was about 234,000 barrels a day as compared with 220,000 barrels a day a year ago. Those same fields could produce, it is estimated, about 242,000 barrels.

The Bureau of Mines estimates the demand for crude oils for the month of December at 222,000 barrels. It would

be our estimate that that demand will be somewhat less in January due to the fact that there have been considerable quantities shipped to Canada. Those shipments are now suspended, and shipments to Dominion of Canada have been cut back.

In that demand factor the Rocky Mountain refineries for the last three months of 1948 averaged about 150,000 barrels a day on their runs. That doesn't include some new refining capacity which is going in. Taking into account the shipments by pipe line, tank cars and truck and any other means out of the district, there are about 30,000 or 35,000 barrels a day of black crude going into storage.

During the last blizzard, which we had just a week ago in the Rocky Mountains, the rate of gasoline storage materially increased. We did go into storage in some distillates and some fuel oil. It is the feeling of the committee that there is no sign at the consumer or dealer level of any deficiencies or shortages.

CHAIRMAN HALLANAN: ; Thank you very much, Mr. Robineau.

I have a telegram from Mr. A. C. Stewart, who is Chairman of District Number Five Committee, which I should like to read to the Council. It is accompanied by a rather extensive report of the activities of the District Five Committee:

"Region Five Advisory Committee determined



Friday -", that was last Friday, "-- that no further meetings should be necessary, and terminated all subcommittee activities. Available statistics indicate supplies of petroleum products are sufficient to meet all normal requirements including military and off-shore.

"There is a possibility of temporary spot shortages continuing to develop during the next few weeks. However, the committee is confident that any resulting problems can be satisfactorily solved between individual customers and suppliers by postponement of liftings.

"Minutes of meeting following.

"A. C. Stewart, Chairman of District Number Five."

Now, Dr. Wilson, that is the overall story by districts, and I should think now that the Council should act upon your report.

DR. WILSON: I have no opportunity to make a report as a committee, because none of these reports came to me in advance. My own reaction as Chairman of the Committee, and subject to comments from any other members of the committee, is that the proper thing for us to do is to express the opinion and send it to each of these Chairmen of the need for further committee or subcommittee activities as appears

to be at hand, and we recommend they do nothing further unless specifically requested by the Director of the Oil and Gas Division or the Secretary of the Interior.

In other words, we won't dissolve, but do nothing unless they have a specific request from government, a specific new request from government.

I think we ought to take that action now.

CHAIRMAN HALLANAN: Do you so move?

DR. WILSON: I so move.

(The motion was regularly seconded.)

MR. MAJEWSKI: Before you do that, could I say something?

I would like then to add, if that is the motion - and talking to the motion - that the Attorney General should be advised by Secretary Krug that the industry committee in District Two has not functioned since its last authorized reorganization, and does not intend to continue to do so.

If that is all you are going to do, I want to put in the record that we have not functioned, and there is no need for it, and we do not intend to.

CHAIRMAN HALLANAN: That is in the record.

DR. WILSON: It seems to me that is an individual district piece of information. This is a general recommendation. I have no objection to your making that at all, but I think that this motion is on a national level.

CHAIRMAN HALLANAN: This condition is not true in the other districts. Other meetings have been held.

DR. WILSON: Yes. Meetings have been held in other districts. Therefore, it wouldn't be properly a part of mine. I think the thing to do probably would be for Mr. Majewski to state the fact in a letter to Secretary Krug with a copy to the Attorney General, or something of that kind.

CHAIRMAN HALLANAN: This is the record here.

MR. MAJEWSKI: We are a committee of yours. That is why I am bringing it up here.

CHAIRMAN HALLANAN: Mr. Friedman, do you have any comment to make on these suggestions?

MR. FRIEDMAN: There have been mailed out to you all, I am afraid you didn't get them before the meeting, copies of an exchange of letters between Justice and ourselves on this matter.

In that, I think the Secretary referred to it this morning. The Justice Department raised the question of whether or not any further committee activities were necessary in view of the statements that had been made as to the improved supply of oil. The Secretary responded, and I would like to quote from the response.

First, he said that we were aware of the improvement and that we were fairly confident of the outlook. He says  
the  
"However, I think it is a better part of wisdom to keep in being a

mechanism that can, as experience has shown, render effective assistance in dealing with local emergencies or shortages should they occur. This seems to me to be particularly wise in this instance. Sufficient experience has been had with shortages of fuel oil in the dead of winter to convince me that stand-by protective devices should be available instantly if needed, though I may not believe that there is much probability of such need.

"As I hope unnecessary insurance against public hardship, I have kept in effect my appeal to the several state governments to maintain their emergency fuel organizations throughout this winter. The complimentary industry organization provided by the Federal Government under the voluntary plan is necessary to the effective functioning of these state organizations, and consequently, the existence of the industry committees should continue through February 28, as originally planned, even though these committees are largely dormant at the time."

In other words, "we like to have them continue just in case, although we think the chances are 999 out of 1000 that we won't need you."

I would like to refer to two other things in this connection, if I may: They are pertinent.

One is to straighten Barney out just a little bit. I am sure he was pulling my leg, since Don Carroll and I wrote

the order to which you refer.

We didn't claim credit for the federal establishment in overcoming the oil shortage.

MR. MAJEWSKI: That was the Presidential release.

MR. FRIEDMAN: That is the one I am talking about. He revokes the order, and says this action is possible because of the great and gratifying improvement in the general fuel supply situation, and the fine cooperation of the federal establishments contributed in a measure to that.

Let's pat the boys on the back a little bit. They did help.

On the fifth of January, the Secretary issued a release, and I would like to clarify his thinking for the record, too, before you, in which he said as follows: The heading of the release is: "Krug Advises Oil Supply Adequate." Maybe he was a little late in issuing the advice, but at least, he issued it before this meeting.

"Secretary of the Interior J. A. Krug today announced that in view of the adequately high stocks of petroleum products, there is no reason at this time to renew his public appeal of last winter for reduced oil consumption. The appeal of last winter was issued to ease an emergency shortage which has now passed.

"Secretary Krug expressed appreciation for last

winter's cooperation of the oil industry, the manufacturers of oil-consuming equipment, and the public, and to the National Petroleum Council for spearheading the drive to conserve critical supplies in cooperation with the government."

So, I think we have a fairly clear record on that, Barney. We think the shortage is over, and we are awfully glad. But we don't want to take any chances and again I hope the Council will keep its committee in being even though it never meets again.

DR. WILSON: Are you agreeable to my motion?

MR. FRIEDMAN: Yes.

CHAIRMAN HALLANAN: You have heard the motion of Dr. Wilson. Do you second it, Mr. Majewski?

MR. MAJEWSKI: No. I have stated for the record a contrary concept to Dr. Wilson's motion. I am going to vote for his motion, but I don't want to second it.

(The motion was regularly seconded, was put to a vote, and carried.)

CHAIRMAN HALLANAN: Mr. Secretary, in pursuance of the Amendments to the Articles of Organization which were just adopted, will you present the budget?

DR. WILSON: I suggest the Secretary send word to each of the Chairmen of these committees of the action of the Council.

CHAIRMAN HALLANAN: He will send a telegram tomorrow. In connection with the budget which the Secretary

of the Council is submitting, I think I should say there is a considerable expense involved in the printing of what may run to 50,000 copies of the National Oil Policy Committee Report, and its distribution, to the sources we want to reach.

That is an extra expense which is included in the budget which will be presented.

SECRETARY BROWN: You may recall a few months ago under the procedure in the charter before it was amended you gentlemen approved a budget of \$60,000, but under the new provision we have to resubmit it.

In the interim, I find that the expense in connection with printing and supplies was far greater than what we thought it was three months ago when we were preparing the budget. Then it looked as if \$5,000 would do the job. Then it actually took \$10,000. For the coming year, with that history behind us, we have in addition an indication that some 50,000 of that National Policy Report may have to go out, maybe not that many. But I am estimating it will cost about \$7,000 to do that job alone. Even that is low. So, about the only change we have made is to increase our printing bill. The total budget we are requesting today is \$68,000. We have distributed a copy with the details. If you wish, I will read those details.

DR. WILSON: I move approval of the budget.

(The motion was duly seconded, put to a vote, and

carried.)

CHAIRMAN HALLANAN: Mr. Max Ball; would you have anything to say before the adjournment?

MR. BALL: The only thing I would like to say concerns a matter that may be a small one and I should have said earlier, but you moved so fast in approving Arthur Jones' report that I didn't get a chance to say it.

In that second amendment, you adopted in the Articles of Organization, seems to me the Council tide its hands against providing for any emergency that may arise during the year, such as, suppose you have another National Oil Policy Report, or something comparable thereto, that may go out during the year that is going to cost you another \$7,000. Your provision here says provisions for operating expenditures during the year shall be limited to the amount approved by the Council at such meeting, which means the first meeting of the year.

It seems to me the Council should have the power itself to authorize amendment to the budget or an addition to the budget during the year if any special condition arises that calls for it.

CHAIRMAN HALLANAN: We can always initiate an amendment.

MR. BALL: This way, you would have to amend the Articles of Organization.

CHAIRMAN HALLANAN: That is right.



MR. BALL: Having voted for this, I would be inclined -- I haven't thought this through -- to ask for reconsideration and propose an amendment right here to that language: that operating expenses shall be limited to the amount approved by the Council at such meeting "except that the Council may at any meeting authorize additional emergency expenditures."

MR. JONES: I don't think that is sound procedure, Mr. Chairman. Every well-run organization has a budget. I am surprised that a man as experienced in governmental affairs as Mr. Ball is would assume that we want to have an open-end checkbook here on our budget.

There is a very decided view in this Council that we don't want to establish a quasi-government bureau with unlimited powers to spend money. In the early days in the organization of this Council, the principal resistance, or one of the principal resistances we met was the fear that we would build up a great big organization.

I would like to see the break there. At any time you have a special problem, Max, we will find a way to deal with it. We can always amend it. As a matter of fact, you were limited to \$50,000 before.

CHAIRMAN HALLANAN: Don't we have a cushion in there now? I think we want some limit, Max. I think you will find you are up against the practical problem, how much money would

you ask for?

Suppose the Chairman appoints, as I will do under the resolution adopted a few moments ago, a Finance Committee. What would they do? Write a letter and say "We are going to ask for so much money. We may come back for some more."? I would close that very definitely.

MR. BAIL: I merely raised the point for consideration because it seems to me you are tying your hands so you have no leeway for an emergency.

Even a government bureau can go to Congress and get a deficiency appropriation once in a while.

MR. JONES: You can come back here, too.

MR. BAIL: My point is the way you have this now you have to change the constitution before you can meet an emergency. However, I don't want to argue the point at all. All I want to say beyond that is that I am just as proud to be a member of this Council as I have been the previous two years to sit up beside the Chairman of the Council and act as Director of the Oil and Gas Division. There isn't anything that I could have in the petroleum industry that I would treasure as much as the privilege of serving on this Council, and being a member of it.

So it is a difference of experience, and I may say a much less tense experience to sit down the table here than it is to sit up where Bob has been sitting today. It is a very

pleasant and very profitable and very gratifying experience, and I am very glad to be a member. (Applause.)

CHAIRMAN HALLANAN: Mr. Friedman?

MR. FRIEDMAN: I know it is late, and I will take but a minute, but it is a matter of money also.

We, too, have our budget problems, and we have a budget coming up here at the end of this month. It was a year ago, I believe, that we discussed the same matter in here before.

Max presented it very well. I shall merely say that the Bureau of the Budget has permitted us to ask this year for the same amount of money that we asked for last year, that is \$400,000, for our entire year's expenses, including the enforcement of the Connally Act.

Last year we actually got from the Congress \$325,000, so we are asking for \$75,000 more than we got, but the same amount as we originally asked for.

It will probably be divided about 50-50 between the Connally Act, and the Gas and Oil Division. However, if we get the money, it won't do us a lot of good unless we can get some people to spend it on, and that starts with a new director and it goes down and includes about six new technical people that we figure we could pay out of this appropriation and still provide them with Secretaries and the other clerical assistance that they must have.

Unfortunately, our recruitment program has been

unsuccessful. We have added only one new man to the staff, and we have lost the equivalent of six in losing Max.

I thank you.

MR. BAIL: May I say a word on that?

CHARMAN HALLANAN: Yes.

MR. BAIL: It is largely repetition of what I said last year.

\$400,000 for the Oil and Gas Division is not an amount that needs to make anybody shiver less a great bureaucracy is being built up. It is a modest sum. I helped draw this budget request, and we kept it down so that, in the first place, what we felt we could staff and spend, and spend advantageously, would be done. Secondly, we kept it down because in the division - I am speaking now as though I were still in the Division - we don't want to build a big, powerful bureau. We don't want to build a bureau at all. We want to build just what we have always had, namely, an advisory agency.

The effectiveness of this Council and the effectiveness of the industry-government cooperation which you so very eloquently described this morning, Walter, is dependent on an adequate staff and adequate financing for the Oil and Gas Division.

We staggered along through this year understaffed.

Nobody should be asked to work as long hours and as continuously

as we worked in the Oil and Gas Division during this last year, and Bob is having to do it a lot more now, because there is one less man there, and Bob is carrying all that he carried before, and all that I carried.

There isn't anybody to distribute it to, because everybody else is loaded to the gills.

Earl, who went home a little while ago, was trying to attend two meetings at once about half the time. You can't get around and do your job that way.

The point of all that I am saying is that we will get this money if the oil industry, and when I say we, I am still speaking -- it is our mutual interest, whether I am a member of the Council or whether I am a member of the Oil and Gas Division -- we will get this money from Congress if the industry thinks we should have it. But the industry must think we should have it, and the industry must be willing to say the right thing at the right time on the Hill.

If the Oil and Gas Division is going to have the funds and carry on the kind of job that this Council needs to have carried on, they must be there at the proper time with the proper words.

CHAIRMAN HALLANAN: Max, we have supported your efforts up there during the previous Congress, so we will do what we can again.

MR. BAIL: If you hadn't done that, there wouldn't be any Oil and Gas Division.

CHAIRMAN HALLANAN: I think we made a contribution to it in any event.

Gentlemen, under the amendment to our Articles of Organization, which we have adopted, which provide for the appointment of a Finance Committee, I want to appoint that committee now.

I am going to appoint the same committee that has submitted this budget amendment, namely, Mr. Jones as Chairman, J. C. Donnell, Frank M. Porter, Mr. Wescoat and Ralph T. Zook.

I hope I may have your continued cooperation, Mr. Jones, in working out our financial problems.

Is there any new business?

The meeting is now adjourned.

(Whereupon, at 5:30 o'clock, p.m., the meeting of the National Petroleum Council adjourned.)